

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 _____

KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION

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: _____



STATE OF KANSAS, SCOTT COUNTY, SS

This instrument was filed for record on the 15 day of December A.D. 2011 at 4:30 o'clock P.M., and duly recorded in book 248 page 76. *M. J. Murphy by da* \$ 2400 Register of Deeds

COMPUTER *da*
NUMERICAL *da*

KS-PAID UP

OIL AND GAS LEASE
(Paid-up)

AGREEMENT, made and entered into this 10th day of October, 2011, by and between: James E. Black and Karen E. Black, husband and wife whose address is 16776 Ember Rd. Cedaredge, CO. 81413

party of the first part, hereinafter called Lessor (whether one or more), and Morris J. Creighton, PO Box 749, Montgomery, Texas 77356, party of the second part, hereinafter called Lessee.

WITNESSETH, that the said Lessor, for and in consideration of Ten Dollars, cash in hand paid, and other good and valuable consideration receipt of which is hereby acknowledged and of the covenants and agreements hereinafter contained on the part of Lessee to be paid, kept and performed, has granted, demised, leased and let and by these presents does grant, demise, lease and let unto the said Lessee, for the sole and exclusive right to explore by geophysical and other methods, for mining and operating for oil (including but not limited to distillate and condensate), gas (including casinghead gas and helium and all other constituents), and for laying pipelines, and building drill sites, access roads, tanks, power stations and structures thereon, to produce, save and take care of said products, all that certain tract of land, together with any reversionary rights therein, situated in the County of Scott, State of Kansas, described as follows, to-wit:

SEE EXHIBIT "A" FOR DESCRIPTION AND ADDITIONAL PROVISIONS

of Section xxx, Township xxxx, Range xxxx, and containing 320 acres, more or less.

1. It is agreed that this lease shall remain in force for a term of THREE (3) years from date (herein called primary term) and so long thereafter as oil or gas, or either of them, is produced from said land or lands pooled therewith.

2. In consideration of the premises the said Lessee covenants and agrees:

A. To deliver to the credit of Lessor free of cost, in the pipeline to which it may connect its wells, a 3/16 part of all oil (including but not limited to condensate and distillate) produced and saved from the leased premises.

B. To pay Lessor for gas (including casinghead gas) and all other substances covered hereby, a royalty of 3/16 of the proceeds realized by Lessee from the sale thereof, less a proportionate part of the production, severance and other excise taxes and the cost incurred by Lessee in processing, gathering, treating, compressing, dehydrating, transporting, and marketing, or otherwise making such gas or other substances ready for sale or use, said payments to be made monthly. During any period after expiration of the primary term hereof when gas is not being so sold or used and the well or wells are shut in and there is no current production of oil or operations on said leased premises sufficient to keep this lease in force, Lessee shall pay or tender a royalty of One Dollar (\$1.00) per year per net royalty acre retained hereunder, such payment or tender to be made, on or before the later of ninety (90) days following the date of shut in or the anniversary date of this lease during the period such well is shut in, to the Lessor. When such payment or tender is made it will be considered that gas is being produced within the meaning of the entire lease.

3. If, at the expiration of the primary term, there is no production in paying quantities on the leased land or on lands pooled therewith but Lessee is conducting operations for drilling, completing or reworking a well, this lease nevertheless shall continue as long as such operations are prosecuted or additional operations are commenced and prosecuted (whether on the same or successive wells) with no cessation of more than ninety (90) days, and if production is discovered, this lease shall continue as long thereafter as oil or gas are produced. In addition, if at any time or times after the primary term, there is a total cessation of all production, for any cause (other than an event of force majeure), this lease shall not terminate if Lessee commences or resumes any drilling or reworking operations or production within ninety (90) days after such cessation. Drilling operations or mining operations shall be deemed to be commenced when the first material is placed on the leased premises or when the first work other than surveying or staking the location is done thereon which is necessary for such operations. Any off lease operation intended to result in production from an interval under the leased premises or lands pooled therewith shall be considered for all purposes hereunder as if such operations were commenced and conducted on the lease premises.

4. Lessee is hereby granted the right at any time and from time to time to pool or unitize the leased premises or any portion or portions thereof, as to all strata or any stratum or strata, with any other lands as to all strata or any stratum or strata, for the production primarily of oil or primarily of gas with or without distillate. The creation of a unit by such pooling shall be based on the following criteria (hereinafter called "pooling criteria"): A unit for an oil well (other than a horizontal completion) shall not exceed 160 acres plus a maximum acreage tolerance of 10%, and a unit for a gas well or a unit for a horizontal completion shall not exceed 1280 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority, or, if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than 100,000 cubic feet per barrel and "gas well" means a well with an initial gas-oil ratio of 100,000 cubic feet or more per barrel, based on a 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment; and the term "horizontal completion" means a well in which the horizontal component of the gross completion interval in the reservoir exceeds the vertical component thereof. Lessee shall file written unit designations in the county in which the leased premises are located unless the pooling or unitization results from governmental order or rule, in which case no such written designation shall be required. Operations upon and production from the unit shall be treated as if such operations were upon or such production were from the leased premises whether or not the well or wells are located thereon. The entire acreage within a unit shall be treated for all purposes as if it were covered by and included in this lease except that the royalty on production from the unit shall be as below provided, and except that in calculating the amount of any shut in gas royalties, only the part of the acreage originally leased and then actually embraced by this lease shall be counted. In respect to production from the unit, Lessee shall pay Lessor, in lieu of other royalties thereon, only such proportion of the royalties stipulated herein as the amount of his acreage placed in the unit, or his royalty interest therein on an acreage basis bears to the total acreage in the unit.

5. If said Lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties herein provided shall be paid to the Lessor only in the proportion which his interest bears to the whole and undivided fee.

6. Lessee shall have the right to use, free of cost, gas, oil, and water produced on said land for its operations thereon, except water from wells of Lessor.

KS007861-000

7. 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.

8. 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. In case 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.

9. If at any time within the primary term of this lease or any continuation thereof, Lessor receives any bona fide offer, acceptable to Lessor, to grant an additional lease (top lease) covering all or part of the aforescribed lands, Lessee shall have the continuing option by meeting any such offer to acquire such top lease. Any offer must be in writing and must set forth the proposed Lessee's name, bonus consideration and royalty consideration to be paid for such lease, and include a copy of the lease form to be utilized reflecting all pertinent and relevant terms and conditions of the top lease. Lessee shall have fifteen (15) days after receipt from Lessor of a complete copy of any such offer to advise Lessor in writing of its election to enter into an oil and gas lease with Lessor on equivalent terms and conditions. If Lessee fails to notify Lessor within the aforesaid fifteen (15) day period of its election to meet any such bona fide offer, Lessor shall have the right to accept said offer. Any top lease granted by Lessor in violation of this provision shall be null and void.

10. All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules and Regulations, and this lease shall not be terminated, in whole or in part, nor Lessee held liable in damages, for failure to comply therewith, if compliance is prevented by, or such failure is the result of any such Law, Order, Rule or Regulation, or operation of force majeure.

11. This lease shall be effective as to each Lessor on execution hereof 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, although not named above.

12. Lessee may at any time and from time to time surrender this lease as to any part or parts of the leased premises by delivering or mailing a release thereof to Lessor, or by placing a release of record in the proper County.

13. Lessor hereby warrants and agrees to defend the title to the lands herein described and to indemnify Lessee of all adverse claims thereto, and all expenses incurred by Lessee in defending such claims, including reasonable attorney fees, 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 above described lands, in the event of default of payment by Lessor, and be subrogated to the rights of the holder thereof.

14. For the same consideration stated above, Lessor further grants, sells, conveys and warrants to Lessee a subsurface right-of-way and easement in, through and under the leased premises for the purpose of drilling oil and/or gas wells to, and producing through said wells oil, gas or other minerals from, lands other than the leased premises, together with the right of ingress and egress to said wells.

15. Notwithstanding anything to the contrary contained in this lease, no litigation shall be initiated by Lessor for damages, forfeiture, termination or cancellation with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default within such period. In the event the matter is litigated and there is final judicial determination that a breach or default has occurred, this lease shall not be cancelled in whole or in part unless Lessee is given a reasonable time after said judicial determination to remedy the breach or default and Lessee fails to do so or such judicial determination shall specify that the lease shall be forfeited or cancelled.

16. Notwithstanding anything in this lease to the contrary, Lessee shall have the right, but not the obligation, to extend this lease beyond the expiration of the primary term or any extension or renewal thereof by conducting a "Continuous Drilling Program", as hereinafter defined, provided Lessee has either (a) completed a well as a dry hole, producing well or a well capable of producing during the primary term or any extension or renewal thereof on the lease premises or on lands with which the leased premises or any portion thereof are pooled or unitized, or (b) has commenced operations for drilling, deepening or reworking a well on or before the end of the primary term or any extension or renewal thereof on the lease premises or on lands with which the leased premises or any portion thereof are pooled or unitized. For purposes of this paragraph, a "Continuous Drilling Program" means a period of time during which Lessee conducts operations for the drilling, deepening or reworking of a well on the leased premises or on lands with which the leased premises or any portion thereof are pooled, with no lapse of more than two hundred seventy (270) days between the completion of one well (either as a dry hole or a producer) and the commencement of operations for the drilling, deepening, or reworking of a subsequent well. Should Lessee commence any such operations prior to the expiration of the Continuous Drilling Program, Lessee shall be entitled to accumulate the unused time and apply all or any portion of such accumulated time to extend the Continuous Drilling Program. Notwithstanding anything herein to the contrary, this lease will not terminate as to all or any portion of the leased premises while Lessee is conducting a Continuous Drilling Program.

If Lessee (a) has completed a well as a dry hole or a producer during the primary term, and (b) is not engaged in operations for drilling, deepening or reworking a well at the end of the primary term, then Lessee must commence operations for the drilling, deepening or reworking of a subsequent well within one hundred eighty (180) days from the end of the primary term in order to begin the Continuous Drilling Program. If Lessee has commenced operations for drilling, deepening, or reworking a well at or before the end of the primary term, then the Continuous Drilling Program will be considered commenced after completion of such well (either as a dry hole or a producer). If, in the drilling of any well during the Continuous Drilling Program, the hole is lost or junked before reaching the objective depth, or if Lessee encounters conditions in the hole which render further drilling or completion impractical, Lessee may, at its election, drill a substitute well, provided operations for such substitute well are commenced within 90 days after abandonment of the unsuccessful operations. The drilling of the substitute well shall be considered for all purposes as the equivalent of drilling the well that Lessee failed to complete.

Upon the later of (a) the expiration of the primary term, or any extension or renewal thereof, or (b) the conclusion of a Continuous Drilling Program, this lease shall terminate as to all lands not included within a pooled unit, proration unit, or other drilling and spacing unit (collectively a "Production Unit"), formed in accordance with the terms of this lease. Additionally, at such time, as to each Production Unit, Lessee shall release this lease as to all depths below one hundred (100) feet below either (a) the deepest depth drilled in any well drilled in such Production Unit, or (b) the stratigraphic equivalent of the base of the deepest formation penetrated in any well in such Production Unit, whichever is the deepest.

17. Notwithstanding anything to the contrary contained in this Lease, for the same consideration, Lessor does hereby grant to Lessee, its successors and/or assigns, the option, but not the obligation to extend the primary term of this Lease and all rights hereunder for an additional TWO (2) years. Lessee shall exercise this option by tendering to Lessor, an additional bonus payment equal to the original bonus amount paid. This additional bonus payment shall be considered tendered by Lessee when deposited with the U.S. Postal Service for delivery to the Lessor by certified mail at the address above on or prior to the expiration date of the initial primary term of this Lease. Upon tender the primary term of this lease will be amended from THREE (3) years to FIVE (5) years.

IN TESTIMONY WHEREOF, we sign this the

18th day of October, 20 11.

Lessor: [Signature]
James E. Black

Lessor: [Signature]
Karen E. Black

STATE OF Colorado } (ACKNOWLEDGEMENT FOR INDIVIDUAL)
COUNTY OF Delta } SS.

The foregoing instrument was acknowledged before me this 18th day of October, 20 11,
by James E. Black and Karen E. Black, husband and wife

My Commission expires:
9-25-2012

Commission Number:

[Signature]
Notary Public

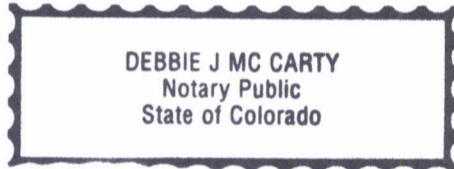


EXHIBIT "A"

ADDENDUM to Oil and Gas Lease dated October 10, 2011, between **James E. Black and Karen E. Black, husband and wife**, hereinafter referred to as Lessor, and **Morris J. Creighton**, hereinafter referred to as Lessee.

DESCRIPTION OF PROPERTY

Township Seventeen (17) South, Range Thirty Two (32) West, Scott County, Kansas

The North Half (N2) of Section Four (4)


This Addendum is part of that certain Oil and Gas Lease identified above by date and parties covering all of the above listed tracts in Scott County, Kansas, to the same extent as if the provisions hereof had originally been written in said lease. In the event of conflict between the lease provisions provided in this Addendum, the provisions of this Addendum shall be binding.

1. Lessor reserves the right to designate all routes of ingress and egress. Prior to the construction of any roads, pipelines, tank battery installations or installation of other equipment on the leased premises, Lessee and the surface owner and/ or tenant shall mutually agree as to the location and direction of same. There shall be no oil road surfaces or hard surfacing of any access roads without the written consent of Lessor. However, Lessee shall not be required to route roads, place tank batteries and other production equipment in areas that the route of such roads or placement of such equipment interferes with Lessee's ability to effectively maximize production of any well located on the property or if the route of such roads or the placement of tank batteries and other equipment is uneconomic to Lessee.
2. When preparing development location the topsoil shall be segregated to be replaced on the surface upon completion of drilling activities. Any terraces driven over or altered for drilling or tank location shall be restored to original height and cross section.
3. It is agreed by Lessor and Lessee that settlement of location damages for any drill site shall be based on a onetime \$5000.00 minimum payment per location or \$2500.00 per acre, whichever is greater. Lessor shall also be paid fair market value for any actual crop damages.
4. Lessee shall have the right to conduct seismic activities on the subject property after advanced payment of \$15.00 per acre. If actual damages exceed \$15/acre, the lessee shall be liable for excess damages less the \$15/acre advance payment. All vehicles used in the survey shall remain in a single track. No vehicle shall be driven on the subject property when the ground is wet or muddy. All seismic operations shall be done in such a manner as to cause as little interference with farming operations on said land and cause as little damage to surface and crops as possible.
5. It is expressly agreed, notwithstanding anything to the contrary herein, that if the lease is in force due to production either from said lease or by pooling of lease due to production from or above 3000 feet and there is no other production below 3000 feet on said lease and lease has been in effect for seven (7) years after the expiration of the primary term, the lease shall thereupon terminate as to the oil and gas rights in all zones and formations, 100 feet below the zone producing from above 3000 feet. If production is from below 3000 feet then oil and gas rights in all zones and formations will stay in effect for as long as there is paying quantities of oil or gas being produced. Lessee shall be obligated to file a record in the county courthouse in which the leased premises are located a release of the lease covering such non-producing zones or formations within sixty (60) days following written demand thereof.
6. The use of water provide for under this lease is limited to use for drilling and completion operations only. Lessee shall specifically not have any right to use fresh water from the above described premises for the purpose of water flooding or injection in any water flooding program that the above described acreage may for any reason be pooled or unitized.
7. In the event there is no production in paying quantities, in Lessee's opinion, found by any operations undertaken by Lessee and there is an abandonment of said lease, the Lessee shall fill all pits, ponds, remove all structures and reasonably restore the premises to the condition existing at the time the lease is executed. After the expiration of the lease, or within six (6) months thereafter, Lessee shall have the obligation to restore, as nearly as practicable, the leased premises to the same condition as received, natural wear and damage by the elements expected.
8. Any and all salt water disposal equipment installed by Lessee shall be adjacent to the county roads adjoining the property herein leased, and installed in a location agreed to by Lessor. Lessee shall not be permitted to use any well drilled on the leased premises for disposal of salt water or any other substance without the written consent of Lessor and without compensating Lessor for the use thereof. However, Lessor agrees such consent shall not be unreasonably withheld or delayed.
9. Lessee or his assigns agrees that production operations shall in no way interfere with the operations and safe passage of an overhead self-propelled sprinkler irrigation system or floor irrigation system. In the event Lessee's result in the completion of an oil and/or gas well, Lessee or his assigns agrees to consult with and obtain approval from Lessor for the installation of the wellhead surface equipment, pumping unit, and related equipment.


10. Lessee shall pay as shut-in royalty payment within the time provided, a sum equal to \$5.00 per year per net mineral acre owned by Lessor, commencing one hundred eighty (180) days after any well is shut-in and such payment due Lessor may be made direct. Shut-in royalty payments hereunder shall not extend beyond a period of 720 cumulative days. Thereafter, said well or wells shall be deemed abandoned and surrendered to Lessor. This limitation shall not reduce or increase the primary term of this lease.
11. Should any well completed on the leased premises produce a volume less than the Lessee, in its sole discretion, deems advisable to produce, and for such reason intend to plug and abandon the same, Lessee agrees to give Lessor the right, privilege and option to purchase any such well, at salvage value rates, together with the casing and connections in the well and necessary for containment of the gas thereof. Lessee also agrees to release all of its rights, title and interest in this lease. Thereupon, Lessor shall assume all responsibility and expense in connection with further operations or plugging of any such well. The option to purchase must be exercised within thirty (30) days after written notice is given Lessee by Lessor of such intention to abandon the well. If any well is offered to the Lessor under the provisions of this paragraph, Lessor shall have the right, at Lessor's own risk and expense, of having the well gauged, but this right must be exercised promptly so as not to cause Lessee any unnecessary delay or expense. If Lessor elects to purchase such well, the price shall be based on a reasonable salvage value of the casing and connections in and around the well and necessary for the containment of the gas therein.

This Lease and Addendum and all their terms, conditions, and stipulations shall extend to and be binding on all the heirs, grantees, administrators, successors and assigns of Lessor and Lessee

Lessor:



James E. Black

10/19/2011
Date


Karen E. Black

10/19/2011
Date

Lessee:


Morris J. Creighton

SERVICES AGREEMENT

This Services Agreement (this “Agreement”) is dated effective July 1, 2020, by and between Banner Oil & Gas, LLC., a Delaware limited liability company (“Service Provider”), and K3 Oil LLC, a Delaware limited liability company, and its wholly-owned subsidiaries (collectively, the “Company”, and, together with Service Provider, the “Parties”).

RECITALS

WHEREAS, Company owns and intends to acquire certain oil and gas leases, wells, units, and other assets more specifically described therein;

WHEREAS, subject to the terms and provisions hereof, Company desires to engage Service Provider, and Service Provider desires to be engaged by Company, to (i) provide certain services and support to Company, as described more particularly herein, and (ii) serve as contract operator under certain Joint Operating Agreements as Company may direct from time to time.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency are hereby acknowledged, the Parties hereby agree as follows:

**ARTICLE 1
DEFINITIONS; INTERPRETATION**

1.1 **Definitions.** As used in this Agreement:

(a) “Affiliate” means, with respect to any Person, a Person that directly or indirectly controls, is controlled by, or is under common control with, such Person, with control in such context meaning the ability to direct the management or policies of a Person through ownership of voting shares or other securities, pursuant to a written agreement, or otherwise; *provided, however*, that, with respect to any Party, the term “Affiliate” shall not include any other Party.

(b) “Audit Right” has the meaning provided in Section 7.3.

(c) “Bankruptcy Event” means, when used with respect to a Person, that:

(i) such Person has (A) applied for or consented to the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of all or a substantial part of its property, (B) admitted in writing its inability to pay its debts as such debts become due, (C) made a general assignment for the benefit of its creditors, (D) commenced a voluntary case under the Federal Bankruptcy Code, (E) filed a petition seeking to take advantage, as a debtor, of any other law relating to bankruptcy, insolvency, reorganization, winding-up or composition or readjustment of debts, or (F) failed to controvert in a timely and appropriate manner, or acquiesced in writing to, any petition filed against it in an involuntary case under the Federal Bankruptcy Code; or

(ii) a proceeding or case has been commenced without the application or consent of such Person in any court of competent jurisdiction seeking (A) its liquidation, reorganization, dissolution, winding-up, or the composition or readjustment of its debts, or (B) the appointment of a trustee, receiver, custodian or the like of such Person under any law relating to bankruptcy, insolvency, reorganization, winding-up or the composition or readjustment of its debts, and such proceeding or case shall continue undismissed, or any order, judgment or decree approving or ordering any of the foregoing shall be entered and continue unstayed and in effect, for a period of 90 or more consecutive days.

(d) “Budget” means any business or development plan or capital or operating budget related to the Business approved by Company, including the Initial Budget.

(e) “Business” means the acquisition, ownership, finance, exploitation, development, operation, sale, lease and disposition of, exploration for, and the exploitation, development and operation of, oil and natural gas assets located in whole or in part within the Contract Areas and to engage in other activities incidental or ancillary thereto.

(f) “Business Day” has the meaning assigned to such term in the Company Agreement.

(g) “Company Agreement” means that certain Limited Liability Company Agreement governing Company dated as of May 16, 2014 as amended by the First Amendment to the Limited Liability Company Agreement as of February 3, 2017.

(h) “Confidential Information” has the meaning provided in Section 8.1.

(i) “Contract Areas” means a one-mile radius around the Company’s asset position, including all 3D seismic surveys owned by the Company.

(j) “Covered Person” has the meaning provided in Section 8.4(a).

(k) “Employee Schedule” has the meaning provided in Section 4.1(d).

(l) “Federal Bankruptcy Code” means Title 11 of the United States Code.

(m) “GAAP” has the meaning provided in Section 7.1.

(n) “Hydrocarbons” means crude oil, natural gas, casinghead gas, condensate, natural gas liquids, and other liquid or gaseous hydrocarbons.

(o) “Joint Operating Agreement” means any joint operating, unit or unit operating, or other similar agreement between two or more working interest owners, including Company, governing operations on Company properties (or lands pooled or unitized therewith) for the exploration for, and the development and production of, Hydrocarbons.

(p) “Law” means, relative to any Person, (i) all provisions of laws, statutes, ordinances, rules, regulations, requirements, restrictions, permits, certificates or orders of any governmental authority applicable to such Person or any of its assets or property and (ii) all

judgments, injunctions, orders and decrees of all courts and arbitrators in proceedings or actions in which such Person is a party or by which any of its assets or properties are bound.

(q) “Limitation of Authority” has the meaning provided in Section 3.7.

(r) “Malfeasance” means any act or omission by Service Provider or any of its Affiliates which constitutes actual fraud, willful misconduct, gross negligence or bad faith in connection with such Person’s activities for Company or a material breach by Service Provider of any non-compete, non-solicitation, confidentiality or business opportunity obligation set forth in this Agreement, the Company Agreement or any other agreement between Company and such Person, whether or not such breach is enforceable by injunctive relief; *provided, however*, that “Malfeasance” shall not include the inadvertent disclosure of Confidential Information or the mere fact that an individual officer or employee of Service Provider is also employed as part of the provision of services outside of the Contract Areas.

(s) “Management Fee” has the meaning provided in Section 4.1.

(t) “Management Group” has the meaning provided in Section 6.1.

(u) “Management Services” has the meaning provided in Section 2.1.

(v) “Monthly Report” has the meaning provided in Section 7.4.

(w) “Operator Services” has the meaning provided in Section 2.2.

(x) “Person” means any individual, corporation, partnership, limited liability company, trust, estate, governmental authority, or any other entity.

(y) “Restricted Company” has the meaning provided in Section 8.4(b).

(z) “Restricted Period” has the meaning provided in Section 8.4(a).

(aa) “Services” means, collectively, the Management Services and the Operator Services.

(bb) “Work Product” has the meaning provided in Section 8.1.

1.2 **Interpretation.** In this Agreement, unless a clear contrary intention appears: (a) pronouns in the masculine, feminine and neuter genders shall be construed to include any other gender, and words in the singular form shall be construed to include the plural and vice versa; (b) the term “including” shall be construed to be expansive rather than limiting in nature and to mean “including, without limitation”; (c) the word “or” is inclusive, (d) references to Articles and Sections refer to Articles and Sections of this Agreement; (e) the words “this Agreement,” “herein,” “hereof,” “hereby,” “hereunder” and words of similar import refer to this Agreement as a whole, including the Exhibits and Schedules, and not to any particular subdivision unless expressly so limited; (f) references in any Article or Section or definition to any clause means such clause of such Article, Section or definition; (g) references to Exhibits and Schedules are to the items identified separately in writing by the parties hereto as the described Exhibits or Schedules

attached to this Agreement, each of which is hereby incorporated herein and made a part of this Agreement for all purposes as if set forth in full herein; (h) all references to money refer to the lawful currency of the United States; and (i) references to “federal” or “Federal” mean U.S. federal or U.S. Federal, respectively.

ARTICLE 2 SERVICES

2.1 **Management Services.** Subject to the terms of this Agreement, Service Provider agrees to provide, or to cause to be provided, on behalf of and as directed by Company, services regarding the management, administration, and operation of the business and affairs of Company, including the services set forth on Schedule 2.1 (the “Management Services”).

2.2 **Operator Services.**

(a) Subject to the terms of this Agreement, Company hereby engages and appoints Service Provider as an independent contractor, and Service Provider hereby accepts such engagement and appointment, to provide or cause to be provided, in accordance with this Agreement and subject to the limitations set forth herein, both (i) with respect to Company’s properties not subject to a Joint Operating Agreement, all procurement, operating, drilling, completion, well intervention, geoscience, engineering, construction, technical, land, marketing, midstream, accounting, tax, and information technology services with respect to such properties at any time during the term of this Agreement, including those services described on Schedule 2.2, and (ii) with respect to Company’s properties subject to a Joint Operating Agreement in which Company is the named operator thereunder or otherwise has the authority to elect or appoint the operator thereunder, serving as Company’s contract operator under any such Joint Operating Agreements, including all services required from the “operator” under the terms thereof (collectively, the “Operator Services”).

(b) Notwithstanding the foregoing, Company may remove Service Provider as its contract operator under any Joint Operating Agreement and may terminate the Operator Services with respect to any particular properties at any time in its sole discretion. If Company elects to remove Service Provider as its contract operator under any Joint Operating Agreement, then Service Provider shall relinquish operatorship of the properties covered thereby and use its reasonable best efforts to transfer operatorship in an orderly manner (as reasonably directed by Company) to Company, or such other Person as directed by Company, for no additional consideration, and shall make (or, as directed by Company, assist Company in making) such filings, as may be required to effectuate the foregoing.

(c) In addition to those other activities prohibited or restricted by this Agreement, including Article 3, and notwithstanding anything herein to the contrary, the authority of Service Provider shall be limited to, and subject to the restrictions set forth in, and shall cause the Operator Services to be performed in accordance with, the specific Joint Operating Agreements under which it serves as contract operator.

2.3 **Other Services.** Service Provider shall also provide services in connection with the management and operation of the Business in addition to those specifically enumerated in this Article 2 as reasonably requested from time to time by Company.

2.4 **Power of Delegation; Affiliate Transactions.**

(a) The Parties hereby agree that in discharging its obligations hereunder, Service Provider may, subject to the terms of this Section 2.4 and the other provisions of this Agreement, engage, or cause Company to engage, any qualified third party to perform the Services (or any part of the Services) on its behalf pursuant to one or more agreements with terms which are then customary and reasonable for agreements regarding the provision of services to companies that conduct operations that are similar to the operations of Company; *provided* that (i) Service Provider acts prudently in selecting and appointing any such Person and regularly reviews and monitors any Services performed by such Person, (ii) in no case shall the performance of Services by such Person relieve Service Provider of its obligations hereunder, (iii) any Services performed by such Person shall be performed in a manner consistent with the terms hereof as if performed by Service Provider, and (iv) Service Provider shall retain, and may not delegate to any third party, their authority to act on behalf of Company as provided under this Agreement or their responsibility for the day-to-day oversight, management, administration and monitoring of the Services and Company's operations.

(b) The Parties hereby agree that in discharging its obligations hereunder, Service Provider may, subject to the terms of this Section 2.4 and the other provisions of this Agreement, arrange for contracts with any qualified third party for goods in connection with the provision of the Services; *provided*, that Service Provider shall use commercial best efforts (i) to obtain such goods at rates competitive with those otherwise generally available in the area in which materials are to be furnished and (ii) to obtain from such third parties such warranties and guarantees as may be customary or reasonably required with respect to the goods so furnished.

(c) Company may select, and require Service Provider to engage, qualified third parties designated by Company to perform the Services (or any part of the Services) pursuant to agreements approved and entered into by Company.

(d) Service Provider will not enter into any agreement or arrangement or engage, or cause Company to enter into or engage, in any transaction which if entered into by the Company, pursuant to the terms of the Company Agreement, must be approved by the Board of Managers (as defined in the Company Agreement), unless such agreement or arrangement is disclosed to Company and approved by Company in accordance with the provisions of the Company Agreement.

(e) Service Provider will not enter into any agreement or arrangement or engage, or cause Company to enter into or engage, in any transaction with any Affiliate or related party of Service Provider, unless such agreement or arrangement is disclosed to Company, including the applicable Affiliate relationship, and approved by Company in accordance with the provisions of the Company Agreement.

2.5 **Company Board.** All communications between Company and Service Provider or its Affiliates, under or with respect to this Agreement, including the Services, and all actions by Company with respect to this Agreement shall, with respect to Company, be with and under the direction and control of the Board of Managers.

ARTICLE 3 PERFORMANCE OF SERVICES

3.1 Provision of Services.

(a) Service Provider shall provide (a) sufficient personnel (including, as necessary or appropriate, contractors, consultants, temporary employees, and agents) with the appropriate background and experience to perform the applicable services in a timely manner in accordance with the terms of this Agreement, and (b) equipment and facilities to perform the applicable services in a timely manner in accordance with the terms of this Agreement. There shall not be deemed or construed to be an express or implied contract of employment between Company and any such Persons.

(b) With respect to Service Provider's activities under this Agreement, including such activities undertaken by Service Provider in its capacity as Company's contract operator under any applicable Joint Operating Agreement, Service Provider agrees to provide the Services in a manner that is in accordance with (i) the directions of Company, including its policies and procedures in effect from time to time, and (ii) any Budget then in effect. Service Provider shall notify Company promptly if at any time the actual performance of the Business is anticipated to deviate in any material respect from any Budget (including any deviation of more than 5% in any operating or capital expenses or other material projected budget line items from the corresponding budgeted or projected amounts set forth in any Budget).

3.2 **Independent Contractor Relationship.** The Parties acknowledge and agree that Service Provider shall provide the applicable services as an independent contractor. Service Provider shall have the sole discretion and responsibility to determine the specific manner and means by which the applicable services are to be performed and the authority to control, oversee, and direct the performance of the details of such services.

3.3 **Title to Assets.** Notwithstanding anything else to the contrary herein, all real and personal property relating to the assets of Company shall be owned by and acquired in the name of Company.

3.4 **Service Support.** Company shall provide such information, and shall use commercially reasonable efforts to provide such other support as may be necessary for Service Provider to perform, or cause to be performed its applicable services from time to time.

3.5 Standard of Performance.

(a) Service Provider shall (i) use its reasonable best efforts to provide, or cause to be provided, its respective Services in compliance in all material respects with applicable Law, and (ii) provide, or cause to be provided, its respective Services in a good and workmanlike manner and with that degree of care, diligence and skill that a reasonably prudent manager of oil and gas

interests and investments similar to those of Company would exercise in comparable circumstances and that is consistent with standard practices for investments in the oil and gas industry.

(b) Service Provider shall not undertake any activity which (i) constitutes Malfeasance or (ii) in the good faith judgment of Service Provider would (A) conflict with, or adversely affect the performance of, its obligations under this Agreement, any of its Affiliate's obligations under the Company Agreement or, as applicable, Company's or Service Provider's obligations under any Joint Operating Agreement or (B) violate, in any material respect, any contracts, leases, orders, security instruments and other agreements to which, to Service Provider's knowledge, Company is a party or by which Company or any of its assets or properties is bound.

(c) To the extent Service Provider shall have charge or possession of any of Company's assets in connection with the provision of the Services, Service Provider shall (i) hold such assets in the name and for the benefit of Company and (ii) separately maintain, and not commingle, such assets with any assets of Service Provider or any other Person.

(d) Service Provider may, from time to time, hold for the account of Company funds of such Parties relating to the provision of the services described in Sections 2.1 and 2.2, and such funds shall remain the funds of Company, as applicable until used for their intended purposes or delivered to the Party entitled to them. Nothing in this Agreement shall be construed to establish a fiduciary relationship between any Party for any purpose other than to account to Company, as applicable, for funds as specifically provided in this sentence.

3.6 **Employees of the Management Group.**

(a) A list of the initial employees of Service Provider who will perform the Services is attached as Schedule 3.6. Service Provider shall select, employ, pay compensation, supervise and direct all personnel and employees necessary for the performance of the Services. Notwithstanding the foregoing, (i) Company shall have the right to approve the identification or addition of any key employee or personnel of Service Provider providing the Services and (ii) after prior consultation with Service Provider, Company may at any time, in its sole discretion with or without cause, direct that Service Provider remove any particular employee or personnel of Service Provider from provision of the Services.

(b) Employees of Service Provider who are engaged in performing any Services shall, as appropriate, (i) be actively involved in providing the Services and (ii) devote that portion of their business time and attention to providing the Services as set forth on Schedule 3.6.

(c) In the event that any employee of Service Provider engages in Malfeasance or violates any non-compete, non-solicitation, confidentiality or business opportunity obligation set forth in this Agreement, the Company Agreement or any other agreement between Company and such Person, Service Provider shall, promptly upon becoming aware of such Malfeasance or violation, (i) notify Company, and (ii) take appropriate action to discipline such employee and, if requested by Company and permissible in accordance with applicable Law, prohibit such employee from performing any further Services and restrict such employee from access to any Confidential Information.

3.7 **Limitation on Authority.** In addition to those other activities prohibited or restricted by this Article 3 and notwithstanding anything herein to the contrary, the authority of Service Provider to act on behalf of Company shall be limited to, and subject to the restrictions set forth in, (a) the terms of the Company Agreement, specifically the requirement for approval of the Board of Managers of certain actions, and (b) the specific limitation of authority guidelines delivered in writing by Company to Service Provider from time to time, as such guidelines may be amended, supplemented, modified or revoked from time to time by Company in its sole discretion in a written notice delivered to Service Provider (the "Limitation of Authority"). Delivery of any subsequent Limitation of Authority shall revoke in its entirety any previously delivered Limitation of Authority, unless otherwise specified therein; *provided, however*, that any action taken by Service Provider which was not prohibited under the then-effective Limitation of Authority shall remain effective notwithstanding the delivery of a subsequent Limitation of Authority. Subject to the terms of any third party agreements entered into prior to any change in any Limitation of Authority, Service Provider agrees to comply at all times with the then-effective Limitation of Authority. The terms of the Company Agreement will govern in the event of a conflict in the provisions of the Company Agreement and the then effective Limitation of Authority.

ARTICLE 4 COMPENSATION

4.1 **Service Provider Compensation for Management Services.** Company shall pay to Service Provider a monthly fee of Nine Thousand Dollars (\$9,000) in connection with Service Provider performing its duties, obligations and services under Article 2 of this Agreement (the "Management Fee"), which shall be adjusted as agreed upon by the Company and Service Provider.

4.2 **Payment.** Within twenty (20) days after the end of each calendar month, Service Provider will submit one invoice to Company for the Management Fee. Subject to good faith disputes, Company shall pay, or cause to be paid, all amounts due under this Agreement within thirty (30) days after the proper delivery of each such invoice.

4.3 **Fees in Lieu of Reimbursement.** The Management Fee shall be in lieu of all fees, reimbursement, out-of-pocket costs, or other compensation, other than amounts due in respect of indemnification obligations of Company under Article 6, and Service Provider shall not charge, nor shall Company be required to pay, any such amounts.

ARTICLE 5 TERM; TERMINATION

5.1 **Term of Agreement.**

(a) This Agreement shall be effective as of the date hereof and shall continue until terminated at any time as follows:

(i) Other than in the event of a default by Service Provider as further provided herein, after Company provides at least 30 days' prior written notice of the intent to terminate the Agreement;

(ii) Other than in the event of a default by Company as further provided herein, after Service Provider provides at least 90 days' prior written notice of the intent to terminate the Agreement;

(iii) Upon the mutual written agreement of the Parties to terminate this Agreement;

(iv) After the sale of Company, whether structured as a sale of all or substantially all of the assets of Company (followed by or in connection with the dissolution and liquidation of Company), a sale of all of the equity interests in Company, a merger, or other similar transaction, after any Party provides at least 30 days' prior written notice of the intent to terminate the Agreement;

(v) After the occurrence of a Bankruptcy Event with respect to Service Provider, after Company provides at least 30 days' prior written notice of the intent to terminate the Agreement;

(vi) If Service Provider has defaulted in a material respect in the performance or observation of any agreement, covenant, term, condition or obligation hereunder or under any Joint Operating Agreement which default, if such default is curable, has not been cured within 30 days after receipt by the defaulting party of written notice from Company of such default, after Company provides prior written notice of the intent to terminate the Agreement; and

(vii) If Company has defaulted in a material respect in the performance or observation of any agreement, covenant, term, condition or obligation hereunder which default, if such default is curable, has not been cured within 30 days after receipt by Company of written notice from Service Provider of such default, after Service Provider provides at least 30 days' prior written notice of the intent to terminate the Agreement.

5.2 **Effect of Termination.**

(a) Upon termination pursuant to Section 5.1, this Agreement shall become void and be of no further force and effect, except the provisions of Sections 3.2, 3.3, 3.4, 3.5 (to the extent necessary pursuant to Sections 3.4 and 5.3), 3.6 and 7.1, and Articles 1, 4 (to the extent described in Section 5.2(b)), 5, 6, 8 and 9, all of which shall continue in full force and effect.

(b) Service Provider shall remain entitled to the compensation set forth in Sections 4.1 with respect to the month in which termination occurs.

5.3 **Transition Obligations.** Upon the termination of this Agreement pursuant to Section 5.1, if requested by Company in writing within 30 days after such termination, Service Provider shall, for a period of six (6) months following the such termination (or, if shorter, such period as Company may identify in writing delivered to Service Provider), (A) provide Company reasonable assistance to transition Service Provider's duties under this Agreement to one or more successor manager(s) designated by Company and (B) continue to provide such Services as Company may reasonably request in order to operate and maintain Company's assets and properties until the transition of each such Service to the successor manager(s) has been completed; *provided, however*, that Service Provider shall not be responsible for any payments required to

transfer any contracts entered into by Service Provider in connection with the performance of their respective obligations hereunder. In providing transition services hereunder, Service Provider shall use the same degree of care used in performing the Services in accordance with this Agreement. Company's obligation to pay Management Fees and Service Provider's right to receive compensation under any applicable Joint Operating Agreement shall continue to apply with respect to the provision of such transition services. In the event that, upon the termination of this Agreement for any reason pursuant to Section 5.1, Service Provider is acting as operator under any Joint Operating Agreement, Service Provider shall, as and when directed by Company, relinquish operatorship under the applicable Joint Operating Agreement in the manner set forth in Section 2.2(b) and use reasonable best efforts to enable a successor operator (including, if applicable, Company or any of its Affiliates) to be named as successor operator thereunder (to the extent that such naming of a successor operator is not prohibited in the relevant Joint Operating Agreement) for no additional consideration, and shall make (or, as directed, assist Company or the successor operator with making) such filings, as may be required to effectuate the foregoing.

ARTICLE 6 INDEMNIFICATION; INSURANCE

6.1 From and after the date hereof, Company shall, to the fullest extent permitted by Law, indemnify, defend, and hold harmless Service Provider, and their respective Affiliates, and its and their respective officers, directors, employees, agents, members, managers, and representatives (the "Management Group") from and against any and all losses, obligations, costs, expenses, damages, claims, awards, or judgments incurred or suffered by the Management Group caused by, arising out of, or resulting from, the provision of the Services by the Management Group, **EVEN IF SUCH LOSSES, OBLIGATIONS, COSTS, EXPENSES, DAMAGES, CLAIMS, AWARDS, OR JUDGMENTS ARE CAUSED IN WHOLE OR IN PART BY THE NEGLIGENCE (WHETHER SOLE, JOINT, CONCURRENT, OR OTHERWISE), STRICT LIABILITY, OR OTHER LEGAL FAULT OF THE MANAGEMENT GROUP, INVITEES, OR THIRD PERSONS, AND WHETHER OR NOT CAUSED BY ANY PRE-EXISTING CONDITION**, except (i) to the extent the action(s) of the applicable member of the Management Group with respect to the Services (1) were not in good faith or not in a manner such Person believed to be in, or not contrary to, the best interests of Company, or (2) constituted Malfeasance and (ii) that Service Provider shall retain or assume full responsibility for any and all claims from or by any employee of Service Provider; and provided that, no member of the Management Group shall be entitled to indemnification with respect to any claim or dispute between the parties hereto relating to this Agreement, the Company Agreement, any Award Agreement (as defined in the Company Agreement) or any other agreement between the parties and their Affiliates related to the Business. Company shall periodically reimburse any Person entitled to indemnity hereunder for its legal and other expenses incurred in connection with defending any claim with respect to such losses, obligations, costs, expenses, damages, claims, awards, or judgments.

6.2 From and after the date hereof, Service Provider shall, to the fullest extent permitted by Law, indemnify, defend, and hold harmless Company and its Affiliates, and its and their respective officers, directors, employees, agents, members, managers, and representatives (the "Company Group") from and against any and all losses, obligations, costs, expenses, damages, claims, awards, or judgments incurred or suffered by the Company Group caused by, arising out

of, or resulting from, (i) the action(s) or omission(s) of any member of the Management Group which (1) were not in good faith or not in a manner such Person believed to be in, or not contrary to, the best interests of Company, or (2) constituted Malfeasance and (ii) any claims from or by any employee of Service Provider, **EVEN IF SUCH LOSSES, OBLIGATIONS, COSTS, EXPENSES, DAMAGES, CLAIMS, AWARDS, OR JUDGMENTS ARE CAUSED IN WHOLE OR IN PART BY THE NEGLIGENCE (WHETHER SOLE, JOINT, CONCURRENT, OR OTHERWISE), STRICT LIABILITY, OR OTHER LEGAL FAULT OF THE MANAGEMENT GROUP, INVITEES, OR THIRD PERSONS, AND WHETHER OR NOT CAUSED BY ANY PRE-EXISTING CONDITION**, provided that, no member of the Company Group shall be entitled to indemnification with respect to any claim or dispute between the parties hereto relating to this Agreement or any other agreement between the parties and their Affiliates related to the Business. Service Provider shall periodically reimburse any Person entitled to indemnity hereunder for its legal and other expenses incurred in connection with defending any claim with respect to such losses, obligations, costs, expenses, damages, claims, awards, or judgments. **THIS PROVISION CONTROLS OVER ANY CONFLICTING PROVISION IN THIS AGREEMENT.**

6.3 Service Provider shall obtain and maintain during the term of this Agreement, from insurers who are reliable and acceptable to Company and authorized to do business in the state or states or jurisdictions in which Services are to be performed by Service Provider, insurance coverages in the types and minimum limits as the Parties determine to be appropriate and with such terms as are consistent with standard practice in the oil and gas industry or as may be agreed by the Parties and, if applicable, as may otherwise be required by any Joint Operating Agreement. Service Provider agrees that (i) to the extent practicable, it will consult with Company prior to obtaining any such insurance coverage, (ii) it will provide Company, upon Company's request from time to time or at any time, with certificates of insurance evidencing such insurance coverage and (iii) upon request of Company, it shall furnish Company with copies of the policies providing for such insurance coverage. Except with respect to workers' compensation coverage, the policies shall name Service Provider and Company as insureds or additional insureds and shall contain waivers by the insurers of any and all rights of subrogation to pursue any claims or causes of action against Service Provider and Company.

ARTICLE 7

BOOKS, RECORDS AND REPORTING

7.1 Service Provider shall maintain accurate books and records regarding the performance of the applicable Services in accordance with, and for the periods required by, generally accepted accounting principles ("GAAP") and applicable Law. Service Provider further agrees to retain all such books and records pertaining to Company and all the Services for a period of not less than five (5) years following the end of the calendar year in which the applicable Services are performed or any longer period if required by Law. In addition to its other audit rights under Section 7.3, during the term of this Agreement and for five (5) years following the end of the calendar year in which this Agreement is terminated under Section 5.1, upon reasonable written notice to Service Provider and at a mutually agreed time, Company shall have the right, exercisable at its option and expense, to review and copy the books and records maintained by Service Provider relating to Company and the Services.

7.2 At the request of Company, Service Provider shall prepare and provide the following information to Company:

(a) within 45 calendar days after the end of each fiscal quarter, an unaudited balance sheet as of the end of such quarter and the related unaudited statement of operations and statement of cash flows for Company for such quarter prepared in accordance with GAAP (with the exception of normal year-end adjustments and absence of footnotes), consistently applied, along with a comparison to the Budget for such period;

(b) within 90 calendar days after the end of each fiscal year (or such longer period of time after the end of the fiscal year as is approved by Company), an audited balance sheet as of the end of such fiscal year and the related audited statement of operations, statement of members' equity and statement of cash flows for Company for such fiscal year prepared in accordance with GAAP, consistently applied and a signed audit letter from Company's auditors who shall be an accounting firm approved by Company, along with a comparison to the Budget for such period; and

(c) within 90 calendar days after the end of each fiscal year, a reserve report prepared by the Company's independent reservoir engineers.

7.3 At any time during the term of this Agreement, Company shall have the right, exercisable at its option and expense, to review and copy the books and records maintained by Service Provider relating to Company and the Services and, if necessary to verify the performance by Service Provider of its obligations under this Agreement, to audit and examine such books and records (the "Audit Right"). Company may exercise the Audit Right from time to time during normal business hours through such auditors as Company may determine in its sole discretion by providing reasonable written notice to Service Provider. To the extent Company exercises its Audit Right, it shall use its reasonable best efforts to conduct such audit or examination in a manner that minimizes inconvenience and disruption to Service Provider.

7.4 At the request of Company, Service Provider shall prepare a monthly report for each calendar month (the "Monthly Report"), which shall be submitted to Company within 45 calendar days of the end of each such calendar month. Each Monthly Report shall include the following information:

(a) an operating statement and report of financial condition of Company for such monthly period and the year-to-date, including combining financial statements for each of Company's subsidiaries;

(b) a reconciliation report setting forth any material discrepancies or variances between (x) amounts included in the operating statement and/or report of financial condition of Company for such monthly period and the year-to-date and (y) the budgeted or projected amounts, as reflected in the applicable Budget, for the corresponding periods to which such amounts relate;

(c) management's review of the operating and financial performance of Company for such monthly period and the year-to-date, including a discussion of any material discrepancies or variances described in the preceding clause (b); and

(d) such other information as Company shall reasonably request, including any information required in order for Company to enter into financing or hedging arrangements or perform its obligations thereunder.

ARTICLE 8

PROTECTION OF INFORMATION; NON-COMPETITION

8.1 **Disclosure to and Property of Company and its Subsidiaries.** All information, designs, ideas, concepts, improvements, product developments, discoveries, and inventions, whether patentable or not, that are conceived, made, developed, or acquired during the term of this Agreement by Service Provider, individually or in conjunction with others, that are generated as a result of Service Provider's provision of the Services or that relate to Company's or any of its subsidiaries' Business and affairs, properties or prospects including, without limitation, acquisition opportunities, drilling programs and plans, cost structures (including finding and development costs and production costs), prospects and geological, geophysical and engineering information and ideas (collectively, "Confidential Information") shall be disclosed to Company and are and shall be the sole and exclusive property of Company or any of its subsidiaries. Moreover, all seismic data, documents, videotapes, written presentations, brochures, drawings, memoranda, notes, records, files, correspondence, manuals, models, specifications, computer programs, E-mail, voice mail, electronic databases, maps, drawings, architectural renditions, models, and all other writings or materials of any type embodying any of such Confidential Information (collectively, "Work Product") are and shall be the sole and exclusive property of Company or its subsidiaries, as applicable. Upon the termination of this Agreement pursuant to Section 5.1, Service Provider promptly shall deliver such Confidential Information and Work Product, and all copies thereof, to Company. Notwithstanding the foregoing, Company acknowledges and agrees that Service Provider is contractually engaged to provide services for third parties outside of the Contract Areas, and that the information and work product arising from or related to such services does not constitute Confidential Information or Work Product hereunder and this Section 8.1 does not grant any rights to Company or any of its subsidiaries with respect to any such information or work product.

8.2 **Disclosure to Service Provider.** Company will disclose to Service Provider, or place Service Provider in a position to have access to or develop, Confidential Information and Work Product of Company and its subsidiaries.

8.3 **No Unauthorized Use or Disclosure.** Service Provider agrees that it will, and it will cause its subsidiaries to, preserve and protect the confidentiality of all Confidential Information and Work Product of Company and its Affiliates, and will not, at any time, make any unauthorized disclosure of, and shall not copy, reproduce or remove from Company's premises the original or any copies of said Confidential Information, and will use its reasonable efforts to prevent the removal from Company premises of, Confidential Information or Work Product of Company or its subsidiaries, or make any use thereof, in each case, except in the carrying out of Service Provider's responsibilities under or in connection with this Agreement. Service Provider shall inform all Persons (other than officers, directors, members, managers, or employees of (x) Company or (y) any of its subsidiaries) to whom any Confidential Information shall be disclosed by it in accordance with this Agreement about the confidential nature of such Confidential

Information, and Service Provider shall ensure that such Confidential Information is identified as being confidential, and shall call such identifying mark to such recipient's attention. Service Provider shall not have any obligation hereunder to keep confidential any Confidential Information if and to the extent disclosure of any thereof is specifically required by law, subpoena, court order or similar legal process; provided, however, that prior to making any disclosure as required by law, subpoena, court order or similar legal process, Service Provider shall provide Company with prompt notice of such requirement to afford Company a reasonable opportunity to challenge the legal requirement, subpoena court order or similar legal process. At the request of Company, Service Provider agrees to deliver to Company, at any time, all Confidential Information that it may possess or control. Service Provider agrees that all Confidential Information of Company (whether now or hereafter existing) conceived, discovered, or made by it, as between Service Provider and Company, exclusively belongs to Company (and not to Service Provider), and Service Provider will promptly disclose such Confidential Information to Company and perform all actions reasonably requested by Company to establish and confirm such exclusive ownership. The subsidiaries of Company shall be third party beneficiaries of Service Provider's obligations under this Section. As a result of Service Provider's services for Company under this Agreement, Service Provider may also from time to time have access to, or knowledge of, Confidential Information or Work Product of third parties, such as customers, suppliers, partners, joint venturers, and the like, of Company and its subsidiaries. Service Provider also agrees to preserve and protect the confidentiality of such third party Confidential Information and Work Product to the same extent, and on the same basis, as Company's Confidential Information and Work Product.

8.4 **Restricted Activities.**

(a) During the term of this Agreement and for the twelve (12)-month period following the termination of this Agreement pursuant to Section 5.1 (the "Restriction Period"), Service Provider will not, directly or indirectly, whether on its own behalf or in association, directly or indirectly, as an agent, partner, stockholder, owner, member, representative, or consultant, or in any other capacity with any other Person, engage in or participate in the Business, in each case other than through Company, without the prior written approval of Company, which may withhold its approval for any reason or no reason in its sole discretion. A violation of this Section 8.4(a) shall not arise solely as a result of (i) an investment in stock or other interest of a Person or any of its direct or indirect subsidiaries listed on a national securities exchange or quotation system or traded in the over-the-counter market if Service Provider does not, directly or indirectly, hold in the aggregate more than a total of 1% of all such shares of stock or other interest issued and outstanding and does not serve as an agent or representative of, or consult to, such Person or (ii) an investment in stock or other interest of, and/or serving as an officer, director, manager, employee, agent, consultant, or representative of, Company or its Affiliates. For the avoidance of doubt, the existing activities set forth on Exhibit F to the Company Agreement shall not be prohibited by this Section 8.4.

(b) During the Restriction Period, Service Provider will not, whether on his behalf or on behalf of any other Person, either directly or indirectly, (i) solicit, induce, persuade, or entice, or endeavor to solicit, induce, persuade, or entice any individual who is employed by Sage Road (as defined in the Company Agreement), Company or any of their respective subsidiaries (each of the foregoing, a "Restricted Company") during the Restriction Period or at any time during the six-month period before the date hereof (each, a "Covered Person") to leave

or terminate employment with the Restricted Company or cease performing services for the benefit of any of them or (ii) hire any Covered Person to provide services (as an employee, consultant, or otherwise) to any Person other than each Restricted Company.

(c) Notwithstanding any other provision to the contrary, the Restriction Period shall be tolled (and the applicable period extended) during the continuation of any legal proceeding brought by Company and during Company's response to any legal proceeding (including any proceeding brought by Service Provider) to enforce the covenants in this Section 8.4 if it is ultimately determined that a breach of the covenants in this Section 8.4 has occurred and during the time period any temporary restraining order, injunction, judgment, or settlement is entered against or agreed to by any restricted party by reason of alleged violations.

8.5 **Specific Enforcement.** It is recognized and acknowledged that a breach of this Article 8 may cause irreparable damage to the non-breaching Party, that the amount of such damages would be difficult or impossible to ascertain, and that the remedies at law for any such breach are likely to be inadequate. Accordingly, each Party agrees in the event of a breach of any of its covenants in this Article 8, in addition to any other remedy which may be available at law or in equity, each non-breaching Party will be entitled to apply for specific performance and injunctive relief or other equitable relief in any court of competent jurisdiction, without the necessity of posting any bond, in the case of any such breach or attempted breach. In the event any term of this Article 8 shall be determined by any court of competent jurisdiction to be unenforceable by reason of its extending for too great a period of time or over too great a geographical area or by reason of its being too extensive in any other respect, it will be interpreted to extend only over the maximum period of time for which it may be enforceable, over the maximum geographical area as to which it may be enforceable, and to the maximum extent in all other respects as to which it may be enforceable, all as determined by such court in such action.

ARTICLE 9 MISCELLANEOUS

9.1 **Representations.** Each Party severally, but not jointly, represents and warrants to the other Parties that:

(a) Such Party has full power and authority to execute and deliver this Agreement to which it is a party and to perform its obligations hereunder, and the execution, delivery and performance by such Party of this Agreement have been duly authorized by all necessary action.

(b) This Agreement has been duly and validly executed and delivered by such Party and constitutes the binding obligation of such Party enforceable against such Party in accordance with its terms, subject to Creditors' Rights (as defined in the Company Agreement).

(c) The execution, delivery and performance by such Party of this Agreement will not, with or without the giving of notice or the passage of time, or both, (i) violate any provision of Law to which such Party is subject, (ii) violate any order, judgment or decree applicable to such Party, or (iii) conflict with, or result in a breach or default under: (A) any term or condition of such Party's Organizational Documents (as defined in the Company Agreement);

or (B) any other instrument to which such Party is a party or by which any property of such Party is otherwise bound or subject, except, in the case of this clause (B), where such conflict, breach or default would not reasonably be expected to, individually or in the aggregate, materially impair such Party's ability to perform its obligations under this Agreement.

(d) Such Party hereby represents and warrants to the other Parties that neither such Party nor any of its Affiliates are subject to any covenants, agreements or restrictions, including covenants, agreements or restrictions regarding non-competition, non-solicitation, rights of first refusal or offer and preference rights, that would be breached or violated by such Party or such Party's performance hereunder.

9.2 **Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original instrument, but all such counterparts together shall constitute but one agreement.

9.3 **Notices.** All notices that are required or may be given pursuant to this Agreement shall be sufficient in all respects if given in writing, in English and delivered personally, by electronic mail or by recognized courier service, to the following addresses:

If to Company:

K3 Oil LLC
10011 S. Pennsylvania Ave.
Oklahoma City, OK 73159
Attention: Michael Richardson
E-mail: Michael@bogokc.com

and

2121 Sage Road, Suite 325
Houston, TX 77056
Attention: Benjamin A. Stamets
E-mail: ben@sagerc.com

If to Service Provider:

Banner Oil & Gas, LLC
10011 S. Pennsylvania Ave.
Oklahoma City, OK 73159
Attention: Michael Richardson
E-mail: Michael@bogokc.com

Any Party may change its address for notice by notice to the other in the manner set forth above. All notices shall be deemed to have been duly given at the time of receipt by the Party to which such notice is addressed.

9.4 **Governing Law and Venue.** This Agreement and the legal relations between the Parties shall be governed by and construed in accordance with the laws of the State of Texas, without regard to principles of conflicts of laws that would direct the application of the laws of another jurisdiction.

9.5 **Dispute Resolution.** Each Party consents to personal jurisdiction in any action brought in the United States federal courts located in the State of Texas with respect to any dispute, claim or controversy arising out of or in relation to or in connection with this Agreement, and each of the Parties agrees that any action instituted by it against the other with respect to any such dispute, controversy or claim will be instituted exclusively in the United States District Courts located in Harris County, Texas. Each Party (a) irrevocably submits to the exclusive jurisdiction of such courts, (b) waives any objection to laying venue in any such action or proceeding in such courts, (c) waives any objection that such courts are an inconvenient forum or do not have jurisdiction over it, and (d) agrees that service of process upon it may be effected by mailing a copy thereof by registered mail (or any substantially similar form of mail), postage prepaid, to it at its address specified in Section 9.3. The foregoing consents to jurisdiction and service of process shall not constitute general consents to service of process in the State of Texas for any purpose except as provided herein and shall not be deemed to confer any rights on any Person other than the Parties to this Agreement. The Parties hereby waive trial by jury in any action, proceeding or counterclaim brought by any Party against another in any matter whatsoever arising out of or in relation to or in connection with this Agreement.

9.6 **Captions.** The captions in this Agreement are for convenience only and shall not be considered a part of or affect the construction or interpretation of any provision of this Agreement.

9.7 **Assignment.** The rights and obligations of Service Provider under this Agreement shall be personal to such Party and may not be assigned, transferred, conveyed, pledged, disposed of, or otherwise alienated, in whole or in part, in any manner (whether by assignment, merger, change of control, sale of stock, assignment for the benefit of creditors, receivership, bankruptcy or otherwise) without the express written consent of Company, which consent may be withheld for any reason. Any purported transfer or other disposition in violation of this Section 9.7 shall be void *ab initio*.

9.8 **Waivers.** Any failure by any Party to comply with any of its obligations, agreements or conditions herein contained may be waived by the Party to whom such compliance is owed by an instrument signed by the Party to whom compliance is owed and expressly identified as a waiver, but not in any other manner. No waiver of, or consent to a change in, any of the provisions of this Agreement shall be deemed or shall constitute a waiver of, or consent to a change in, other provisions hereof (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly provided.

9.9 **Entire Agreement.** This Agreement constitutes the entire agreement among the Parties pertaining to the subject matter hereof, and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties pertaining to the subject matter hereof. In entering into this Agreement, no Party has relied on any statement, representation,

warranty, covenant, or agreement of the other Parties or its representatives other than those expressly contained in this Agreement.

9.10 **Amendment.** This Agreement may be amended or modified only by an agreement in writing signed by the Parties against whom such amendment or modification is sought to be enforced and expressly identified as an amendment or modification.

9.11 **No Third-Person Beneficiaries.** Except for the specific rights granted to Sage Road under the terms hereof, the provisions of this Agreement are enforceable solely by the Parties. Nothing in this Agreement shall entitle any Person other than the Parties any claim, cause of action, remedy or right of any kind, except the rights expressly provided to Sage Road or to the Persons described in Article 6, which rights must be enforced and claims brought, if at all, by the applicable Person.

9.12 **Severability.** If any provision of this Agreement, or any application thereof, is held invalid, illegal or unenforceable in any respect under any Law, this Agreement shall be reformed to the extent necessary to conform, in each case consistent with the intention of the Parties, to such Law, and, to the extent such provision cannot be so reformed, then such provision (or the invalid, illegal or unenforceable application thereof) shall be deemed deleted from (or prohibited under) this Agreement, as the case may be, and the validity, legality and enforceability of the remaining provisions contained herein (and any other application of such provision) shall not in any way be affected or impaired thereby.

9.13 **Time of the Essence.** Time is of the essence in this Agreement. If the date specified in this Agreement for giving any notice or taking any action is not a Business Day (or if the period during which any notice is required to be given or any action taken expires on a date which is not a Business Day), then the date for giving such notice or taking such action (and the expiration of such period during which notice is required to be given or action taken) shall be the next day which is a Business Day.

9.14 **Limitation on Damages.** Notwithstanding anything to the contrary contained herein, no Party, nor any of their respective Affiliates shall be entitled to consequential, special, or punitive damages in connection with this Agreement and the transactions contemplated hereby (other than consequential, special, or punitive damages suffered by third Persons for which responsibility is allocated between or among the Parties) and each Party, for itself and on behalf of its Affiliates, hereby expressly waives any right to consequential, special, or punitive damages in connection with this Agreement and the transactions contemplated hereby (other than consequential, special, or punitive damages suffered by third Persons for which responsibility is allocated between or among the Parties).

9.15 **Relationship of the Parties.** It is not the intention of the Parties to create, nor shall this Agreement be construed as creating, a mining or other partnership, joint venture, agency relationship, or association, or to render the parties liable as partners, co-venturers, or principals.

9.16 **Further Assurances.** Each Party shall from time to time, and without additional consideration, take such further acts, and execute and deliver such further documents, as may be

reasonably requested by another Party in order to fully perform and carry out the terms of this Agreement.

9.17 **Conflict**. In the event of a conflict between the provisions of this Agreement and any mandatory provision of Law, the applicable provision of such Law shall control. In the event of a conflict between the provisions of this Agreement and any provision of the Company Agreement, the applicable provision of the Company Agreement shall control.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date set forth above.

COMPANY:

K3 OIL LLC

By: 
Benjamin A. Stamets
Authorized Representative

SERVICE PROVIDER:

BANNER OIL & GAS, LLC

By: _____
Michael Richardson
Chief Executive Officer

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date set forth above.

COMPANY:

K3 OIL LLC

By:

Benjamin A. Stamets
Authorized Representative

SERVICE PROVIDER:

BANNER OIL & GAS, LLC

By:



Michael Richardson
Chief Executive Officer

EXHIBIT A

Well List

Page: 1 of 2

KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION

Form OWI-1
June 2009

KCC License No.:

Company/Individual Name: BANNER OIL & GAS LLC

OPERATOR WELL INVENTORY
(FORM OWI-1)

Lease Name*	Well No.*	API No.**	Year Drilled*	Year Assumed Responsibility*	Depth*	County*	Section-Township-Range*	Spot Location* (GRI/GRID)	Footage from Section Line* (± FSL = Feet from South Line)	Type of Well* (GAS/OIL/NEU/CSM/SWD)	Well Status* (PROD/INJ/ACTIVE)	KDOR Lease Code(s)	Latitude	Longitude	Datum	
ALGRIM	13-28	15-055-22422	2015	2020	5400	FINNEY	28 -23 s -30	NW -SE -SW -SW	502	4356	OIL	PROD	146618	38.017909	-100.6344102	NAD27
BLACK	4-7	15-171-21121	2015	2020	4809	SCOTT	4 -17 s -32	NE -SW -SW -NE	2030	2273	OIL	PROD	146466	38.6077416	-100.8601325	NAD27
BLOCKER	16-12	15-191-222809	2018	2020	3925	SUMNER	12 -33 s -1	SE -NW -NW -SW	2050	553	OIL	INACTIVE		37.1941665	-97.2733902	NAD27
BOCK	3-1H	15-151-22428	2014	2020	8860	FRATT	3 -26 s -11	SE -SE -SE -SE	278	153	OIL	PROD	144881	37.8061545	-98.5019941	NAD27
BOCK	3-55WD	15-151-22425	2016	2020	5156	FRATT	3 -26 s -11	NE -SE -SE -SE	375	271	INJ	ACTIVE	144881	37.8064223	-98.5024025	NAD27
BOYER	3-3	15-191-22774	2016	2020	5050	SUMNER	3 -35 s -4	SW -SW -NE -NW	1170	1442	OIL	PROD	146484	37.0353532	-97.7420496	NAD27
BOYER	6-3	15-191-22788	2016	2020	5150	SUMNER	3 -35 s -4	SE -SW -SE -NW	2526	1656	OIL	PROD	146901	37.0316293	-97.7412419	NAD27
CARTER-BARKER	13-34	15-151-22480	2019	2020	4596	FRATT	34 -27 s -12	SE -NW -SW -SW	860	356	OIL	PROD	147378	37.6478906	-98.6216430	NAD27
CONDIFF	822-5-23H	15-191-22669	2016	2020	4090	SUMNER	8 -32 s -1	NW -SW -SE -NW	2246	1477	OIL	PROD	143747	37.284164	-97.3432013	NAD27
EANTON	3-18	15-101-22560	2015	2020	4540	LANE	18 -16 s -28	NE -SW -NE -NW	879	1966	OIL	PROD	146649	38.6677891	-100.460865	NAD27
FRANKLIN	13-6-4	15-191-22551	2009	2020	3858	SUMNER	6 -33 s -2	SE -SW -SW -	330	990	OIL	PROD	139779	37.2039363	-97.2540286	NAD27
FRANKLIN	14-6-2	15-191-22571	2011	2020	3660	SUMNER	6 -33 s -2	NW -SE -SW -	990	1650	OIL	PROD	139779	37.205757	-97.2518158	NAD27
FRANKLIN	14-6-3	15-191-22552	2009	2020	3860	SUMNER	6 -33 s -2	E2 -SW -SE -SW	330	1710	OIL	PROD	139779	37.203945	-97.2515566	NAD27
GREENGROUP	14A-1H	15-151-22422	2013	2020	8030	FRATT	14 -27 s -12	NE -NE -NE -NW	970	1750	OIL	PROD	136499	37.7029817	-98.6008256	NAD27
GREENGROUP	14A-5WD	15-151-22421	2013	2020	5333	FRATT	14 -27 s -12	NW -NE -NE -NW	5141	2978	INJ	ACTIVE	144736	37.7033234	-98.6010434	NAD27
GRUSING	10-14	15-101-22549	2015	2020	4590	LANE	10 -16 s -27	SE -	335	3034	OIL	PROD	145949	38.6697269	-100.2930874	NAD27
H.ENTZ	10A-1H-18	15-079-20702	2013	2020	3329	HARVEY	16 -24 s -2	SE -SE -SW -SW	224	1024	OIL	INACTIVE	144598	37.9560781	-97.2221662	NAD27
J. LEWIS FRANKLIN	13-6	15-191-22542	2008	2020	3902	SUMNER	6 -33 s -2	E2 -SW -SW -	660	990	OIL	PROD	139779	37.2048427	-97.2540552	NAD27
KEARNS	6-14	15-063-22262	2015	2020	4735	GOVE	14 -11 s -31	SE -NW -SE -NW	1666	1667	OIL	PROD	146465	39.1001125	-100.7325283	NAD27
KOEHN	3-10	15-171-21117	2014	2020	4950	SCOTT	3 -20 s -34	SE -SE -NW -SE	1417	1527	OIL	PROD	146056	38.341146	-101.0182726	NAD27
MEIREIS	8-16	15-151-22481	2017	2020	3925	FRATT	16 -26 s -11	NW -SW -SE -	2169	1020	OIL	PROD	147432	37.7849066	-98.5232559	NAD27

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KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION

Form OWI-1
June 2009

KCC License No.:

Company/Individual Name: BANNER OIL & GAS, LLC

OPERATOR WELL INVENTORY
(FORM OWI-1)

Lease Name*	Well No.*	API No.**	Year Drilled*	Year Assumed Responsibility*	Depth*	County*	Section-Township-Range*	Spot Location* (GRI/GRID)	Footage from Section Line* (± FSL = Feet from South Line)	Type of Well* (GAS/OIL/NEU/CSM/SWD)	Well Status* (PROD/INJ/ACTIVE)	KDOR Lease Code(s)	Latitude	Longitude	Datum	
RUYLE	11-31-1	15-191-22594	2011	2020	3705	SUMNER	31 -32 s -2	W2 -NE -NE -SW	2310	2126	OIL	PROD	141872	37.2239512	-97.2504999	NAD27
SCHLICHTING	7-8-4	15-191-22597	2011	2020	4175	SUMNER	8 -32 s -1	SE -SW -NE -	2310	1650	OIL	PROD	141805	37.2839943	-97.3360157	NAD27
SCHLICHTING	8-8-45WD	15-191-22601	2011	2020	4151	SUMNER	8 -32 s -1	SE -SE -SE -NE	2505	135	INJ	ACTIVE	141805	37.283463	-97.330709	NAD27
TAYLOR	14-3	15-191-22799	2018	2020	5152	SUMNER	3 -35 s -4	SW -SW -SE -SW	205	1379	OIL	PROD	147200	37.0246155	-97.742052	NAD27
SOURCE	8-45-11H	15-191-22664	2012	2020	5100	SUMNER	9 -34 s -1	SW -NE -NE -NE	335	400	OIL	INACTIVE		37.1148102	-97.3120399	NAD27
SOURCE	16-46-25-4H	15-191-22690	2013	2020	3707	SUMNER	14 -33 s -1	SW -NE -SE -SE	702	414	OIL	INACTIVE	144942	37.1758338	-97.276118	NAD27
ATOKA COAL-AGRESTHANE	13-11 59WD	15-191-22511	2007	2020	4300	SUMNER	11 -33 s -1	SW -SW -SW -	382	4380	SWD	ACTIVE	142029	37.1847624	-97.2607049	NAD27
WHITE	9-12-2	15-191-22599	2011	2020	3879	SUMNER	12 -33 s -1	NW -NE -SE -	2310	990	OIL	INACTIVE	142029	37.1947624	-97.2607049	NAD27
ANDRA	8-12-13	15-191-22596	2011	2020	3875	SUMNER	12 -33 s -1	NW -SW -SE -NE	2050	1160	OIL	INACTIVE	142285	37.1973904	-97.2613195	NAD27
AG-NH	4-7-1	15-191-22563	2011	2020	3600	SUMNER	7 -33 s -2	W2 -NE -NW -NW	330	850	OIL	INACTIVE	140378	37.2021219	-97.2544721	NAD27
ATOKA-OSCEOLA	4-7-2	15-191-22566	2009	2020	3905	SUMNER	7 -33 s -2	NW -NW -NW -	330	330	OIL	INACTIVE	140378	37.2021156	-97.2562575	NAD27
AO	4-7-3	15-191-22595	2011	2020	3586	SUMNER	7 -33 s -2	SW -NW -NW -	990	330	OIL	INACTIVE	140378	37.2003028	-97.2562367	NAD27
NEISES TRUST	4-11-4-1H	15-191-22676	2013	2020	1241	SUMNER	4 -32 s -2	SE -NW -NW -NW	350	620	OIL	INACTIVE	144393	37.3030079	-97.2204485	NAD27
NEISES TRUST	4-11-5WD	15-191-22677	2013	2020	4685	SUMNER	4 -32 s -2	SE -NW -NW -NW	4794	4830	INJ	INACTIVE	144393	37.3030969	-97.2214693	NAD27
MILLER	5-11-24	15-191-22769	2015	2020	4074	SUMNER	5 -32 s -1	NE -SW -NW -NW	958	419	OIL	INACTIVE	146671	37.3017774	-97.3471216	NAD27
NEVILLE	18-11-18-1H	15-191-22679	2013	2020	4101	SUMNER	12 -32 s -1	SE -NW -NW -NW	350	350	OIL	INACTIVE	144342	37.2894396	-97.2747772	NAD27
MOORE	1-22	15-151-22349	2010	2020	4852	FRATT	22 -26 s -11	SE -NE -NW -NW	558	1028	OIL	INACTIVE	147747	37.7747706	-98.5160387	NAD27
BAKER	1-21	15-151-22350	2010	2020	4760	FRATT	21 -27 s -12	SE -NE -SW -SW	717	1219	OIL	INACTIVE	140878	37.6766315	-98.641595	NAD27
SCHMIDT	8-40-28-4H	15-191-22725	2014	2020	3621	SUMNER	33 -31 s -1	SE -SE -SE -NE	2435	260	OIL	INACTIVE	145332	37.3124677	-97.3137793	NAD27

SCHEDULE 2.1

Management Services

This Schedule sets forth below certain Management Services that are expected to or may be required in connection with the Business. The specific nature of the Management Services required will be determined based upon the actual investments made by Company. The provision of any Services shall in all respects be subject to the terms and conditions set forth in this Agreement, including the Limitation of Authority set forth in Section 3.7. It is further acknowledged by Company that the ability of Service Provider to provide these Management Services is dependent upon approval by Company of appropriate Budgets in respect of the Management Services.

1. Investment Sourcing, Business Development, Diligence and Execution

(a) Investment Sourcing: Identify, present for approval and pursue investment opportunities on behalf of Company.

(b) Business Development: Identify, present for approval and pursue acquisition and other related opportunities on behalf of Company, including business development related opportunities that are complementary to, or enhance the value of, Company's assets.

(c) Diligence and Related Assessment: Diligence, investigate and analyze potential investment and/or business development related opportunities pursued on behalf of Company.

(d) Execution: Structure acquisitions and investments made by Company and conduct negotiations on behalf of Company with third-parties in connection with such business development related opportunities.

(e) Performance Assessment: Assess the performance of investments made by Company, including any look-back and related analyses, as determined together with Company.

2. Administrative Activities.

(a) Bookkeeping, Financial and Reserve Reporting; Accounting: Internal and external financial reporting, management of general ledger functions, asset and real property accounting, treasury and financial management services, establishment and maintenance of capital expenditure and other operating budgets and any other bookkeeping and accounting functions required for the operation of the Business, including financial statements, tax reports or other information that may be required to be prepared and delivered by Company to its members or to comply with their tax obligations, including any materials and data necessary to complete such financial statements and supplemental reports and, if applicable, any audits thereof and all reports to be furnished by Company to the members pursuant to the Company Agreement. Any such requested financial statements and supplemental reports shall be in a form and have such content as Company shall deem necessary or appropriate and shall be provided within such periods of time as are required for Company's reporting requirements. Any such requested services shall be performed in a manner consistent with the public-reporting and securities law requirements applicable to direct or

indirect beneficial owners of interests in Company. As applicable, Service Provider shall prepare an audited or third party annual reserve report effective December 31 of each year in accordance with SEC guidelines. The annual reserve report shall be updated June 30 internally for assets and properties having significant variances from the annual report and for new properties acquired by Company since the last annual report.

(b) Financing and Treasury: Source, structure and negotiate on behalf of Company appropriate revolving and/or long-term indebtedness facilities and other financing to support Company's investments, all in consultation with Company, along with such cash management, payable/receivable and other customary treasury services as may be necessary or appropriate to manage Company and the Business.

(c) Information Technology: Arrange information technology hardware, and software, and the related technical expertise necessary to support the operation of Company to the extent not otherwise provided by Company or an Affiliate thereof.

(d) Tax: As requested by Company, Service Provider shall provide (i) assistance in connection with the preparation and filing of federal, state and local tax returns for Company and/or (ii) tax research, planning, and assistance on tax audits (federal, state and local) with respect to Company. Service Provider shall provide such information as may be available to Service Provider as Company requires regarding the performance of Company and its assets and properties so as to enable Company to calculate Tax Distributions (as such term is defined in the Company Agreement).

(e) Corporate Contracts: Negotiate contracts on Company's behalf and administer and maintain contractual arrangements of Company.

(f) Records Retention: Assist in the storage and retrieval of documentation and backup information for Company.

(g) Regulatory Affairs; Legal: Compliance with legal, regulatory, administrative or internal governance requirements applicable to Company in respect of the Business. Manage, prosecute and resolve any disputes or suits to which Company, its assets and properties or the Business is subject. If and to the extent requested by Company, provide assistance in connection with such other legal matters as Company may request.

3. General Operations.

(h) General: Day-to-day general, administrative and other services necessary or appropriate for the operation of the Business, including, as applicable, (i) managing on behalf of Company the operation of existing wells (as detailed in Exhibit A), structures, equipment and facilities associated with Company's properties, (ii) obtaining and maintaining in the name of Company the licenses, registrations, permits, and approvals required to act as operator of Company's properties, (iii) supervising personnel, subcontractors, suppliers, vendors and any other contract personnel engaged by Service Provider on behalf of Company to operate its properties, (iv) monitoring production from Company's properties and preparing any necessary forms or reports for submission by Company as required by any applicable federal, state, or local

regulatory agency in connection therewith, and (v) monitoring third-party operators under applicable Joint Operating Agreements.

(i) Hydrocarbon Transportation and Sales: To the extent not provided directly by the third-party operator under the applicable Joint Operating Agreement, obtain for Company midstream, transportation and marketing, gas control and other similar services necessary to physically and financially sell the production from or associated with Company's properties.

(j) Development and Project Management: Identify, analyze and inventory drilling, workover and enhanced recovery opportunities on Company's properties and consult with Company to determine which development opportunities are to be authorized for expenditure. Where applicable, plan, implement and provide all services necessary to drill wells, install facilities and otherwise perform such activities and any activities relating thereto, as contemplated by and consistent with any capital budget.

(k) Exploitation of Properties and Enhancement of Operations: Monitor and analyze the production, expense and capital expenditure performance histories of Company's properties and make recommendations to Company to enhance revenue, reduce costs, implement operating efficiencies and/or abandon uneconomic properties, as appropriate. Conduct field studies and operating and development reviews, and recommend projects to Company that are reasonably anticipated to enhance the production profiles of such properties and/or result in additional operational and financial enhancements with respect to such properties.

(l) Plugging and Abandonment: If and to the extent applicable, obtain for Company necessary non-operated working interest owner approval and regulatory permits to abandon any wells included in Company's properties when appropriate, the supervision of abandonment operations of such wells and the filing of necessary abandonment reports after completion of the operations.

(m) Environmental Compliance and Remediation: Where applicable, dispose of all salt water and other waste materials related to Company's properties pursuant to the rules and regulations of federal and/or state regulatory authorities. In the event that Service Provider discovers that any of Company's properties are not in compliance with environmental laws, rules or regulations in any material respect, Service Provider shall, where applicable, take such actions on behalf of Company as may be required to remediate such noncompliance. If such action will cost more than \$25,000, Service Provider shall consult with Company prior to beginning any work.

(n) Payment of Expenses: Cause Company to pay operating costs and invoices which are required to be paid under the terms and provisions of the applicable Joint Operating Agreements and which are attributable to the ownership, operation, use or maintenance of Company's properties.

(o) Real Property, Land and Title Matters; Facilities: Provide Company with the land lease and title services required by Company. Provide land management, geological and geophysical services, and regulatory compliance and filing, in each case, with respect to Company's assets (to the extent of the Contract Areas).

(p) Hedging: In consultation with Company, develop appropriate hedging and related risk management strategies, monitor Company's risk exposures and hedge positions on an ongoing basis and provide Company with reports evidencing Company's hedge positions and the related risk analyses.

(q) Insurance. Arranging for insurance to be obtained by Company in connection with its business and activities, other than insurance required to be maintained by Service Provider on behalf of Company as operator under any applicable Joint Operating Agreement.

(r) Bank Accounts. Opening and maintaining one or more bank accounts in the name of Company, as applicable, out of which expenses, expenditures, and other costs of Company shall be paid by Service Provider, including amounts due and owing Service Provider hereunder, and distributions made to the members, and reconciling all such accounts.

(s) Capital Call. Preparing and issuing requests for capital contributions pursuant to the Company Agreement as may be authorized and approved pursuant to the Company Agreement.

(t) Sales of Company. Cooperating fully with potential acquirers in any Drag-Along Transaction (as defined in the Company Agreement) by taking all customary and other actions reasonably requested by Company or such potential acquirers, including making Company's properties, books and records, and other assets reasonably available for inspection by such potential acquirers, establishing a physical or electronic data room including materials customarily made available to potential acquirers in connection with such processes and making its employees reasonably available for presentations, interviews and other diligence activities, in each case subject to reasonable and customary confidentiality provisions.

(u) Coordinating with Service Provider. Dealing and interfacing with the operator (including Service Provider) of any leases, wells, or units and monitoring the status of the operations conducted by such operator, including the execution of any authorizations for expenditure, the making of any elections, and the conduct and management of any joint interest audits.

SCHEDULE 2.2

Operator Services

This Schedule sets forth below certain Operator Services that are expected to or may be required in connection with the Business. The specific nature of the Operator Services required will be determined based upon the actual investments made by Company. The provision of any Operator Services shall in all respects be subject to the terms and conditions set forth in this Agreement. It is further acknowledged by Company that the ability of Service Provider to provide these Operator Services is dependent upon approval by Company of appropriate Budgets in respect of the Operator Services.

(a) Land management, including brokerage arrangements; lease acquisition; title review and curative; the creation of, and applications, hearings, and other actions with respect to, pools and units; compliance with the applicable Law of the Kansas Corporation Commission or other applicable governmental authority;

(b) the exploration, development, operation, and maintenance of any applicable assets, including supervision of drilling and drillsite preparations, spudding, drilling, hydraulic fracturing, completion, redrilling, reworking, recompletion, production, processing, gathering, treatment, delivery, and transportation operations and operation and maintenance of any wells, salt water disposal wells (and disposal of salt water), pipelines, equipment, or facilities preparation of lease operating statements, division order preparation and maintenance, joint interest billings, cash calls of non-operating working interest owners, landowner relations, and delay rental and shut-in gas payments;

(c) cause the applicable assets to be operated in compliance in all material respects with all applicable Law and all contracts by which such assets, and Company with respect to such assets, are bound or to which they are subject;

(d) receive any cash call payments, whether from Company or third Persons, and pay and perform all obligations of the joint account under the applicable operating agreement with respect to the applicable assets, including drilling and development costs and lease operating expenses;

(e) obtain and maintain for the joint account under the applicable operating agreement all applications, permits, licenses, certificates, and other administrative authorizations from any governmental authority as may be required or useful from time to time in connection with the ownership, use, operation or activities of any applicable assets; and

(f) manage and provide oversight to any third party contract operators who are either (i) currently providing Services to the assets of Company or (ii) in the future will provide Services to the assets of the Company.

(g) maintain insurance for the joint account as may be required under the applicable Joint Operating Agreement.

SCHEDULE 3.6

Employees

This Schedule sets forth below the list of employees providing Services to the Company.

Management

Michael Richardson, CEO

Finance and Accounting

Scott Dickson, Corporate Controller

Operations

Travis Roberts, Operations Engineer

Bruce Little, Field Superintendent

Administrative

Keri Smith, Engineering Tech

Nathania Naftaly, Regulatory Assistant