

KANSAS CORPORATION COMMISSION  
OIL & GAS CONSERVATION DIVISION

Form T-1  
April 2019  
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: \_\_\_\_\_

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

New Operator's License No. \_\_\_\_\_

Contact Person: \_\_\_\_\_

New Operator's Name & Address: \_\_\_\_\_

Phone: \_\_\_\_\_

New Operator's Email: \_\_\_\_\_

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

\_\_\_\_\_ is acknowledged as the new operator of the above named lease containing the surface pit

Permit No.: \_\_\_\_\_ . Recommended action: \_\_\_\_\_

permitted by No.: \_\_\_\_\_ .

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Authorized Signature

Authorized Signature

DISTRICT \_\_\_\_\_ EPR \_\_\_\_\_ PRODUCTION \_\_\_\_\_ UIC \_\_\_\_\_







KANSAS CORPORATION COMMISSION  
OIL & GAS CONSERVATION DIVISION

Form KSONA-1

July 2014

**Form Must Be Typed****Form must be Signed****All blanks must be Filled**

## CERTIFICATION OF COMPLIANCE WITH THE KANSAS SURFACE OWNER NOTIFICATION ACT

*This form must be submitted with all Forms C-1 (Notice of Intent to Drill); CB-1 (Cathodic Protection Borehole Intent); T-1 (Request for Change of Operator Transfer of Injection or Surface Pit Permit); and CP-1 (Well Plugging Application). Any such form submitted without an accompanying Form KSONA-1 will be returned.*

**Select the corresponding form being filed:**  **C-1** (Intent)  **CB-1** (Cathodic Protection Borehole Intent)  **T-1** (Transfer)  **CP-1** (Plugging Application)

OPERATOR: License # \_\_\_\_\_

Name: \_\_\_\_\_

Address 1: \_\_\_\_\_

Address 2: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_ + \_\_\_\_\_

Contact Person: \_\_\_\_\_

Phone: ( \_\_\_\_\_ ) \_\_\_\_\_ Fax: ( \_\_\_\_\_ ) \_\_\_\_\_

Email Address: \_\_\_\_\_

Well Location:

\_\_\_\_ - \_\_\_\_ - \_\_\_\_ - \_\_\_\_ Sec. \_\_\_\_ Twp. \_\_\_\_ S. R. \_\_\_\_  East  West

County: \_\_\_\_\_

Lease Name: \_\_\_\_\_ Well #: \_\_\_\_\_

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

**Surface Owner Information:**

Name: \_\_\_\_\_

Address 1: \_\_\_\_\_

Address 2: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_ + \_\_\_\_\_

*When filing a Form T-1 involving multiple surface owners, attach an additional sheet listing all of the information to the left for each surface owner. Surface owner information can be found in the records of the register of deeds for the county, and in the real estate property tax records of the county treasurer.*

*If this form is being submitted with a Form C-1 (Intent) or CB-1 (Cathodic Protection Borehole Intent), you must supply the surface owners and the KCC with a plat showing the predicted locations of lease roads, tank batteries, pipelines, and electrical lines. The locations shown on the plat are preliminary non-binding estimates. The locations may be entered on the Form C-1 plat, Form CB-1 plat, or a separate plat may be submitted.*

**Select one of the following:**

- I certify that, pursuant to the Kansas Surface Owner Notice Act (House Bill 2032), I have provided the following to the surface owner(s) of the land upon which the subject well is or will be located: 1) a copy of the Form C-1, Form CB-1, Form T-1, or Form CP-1 that I am filing in connection with this form; 2) if the form being filed is a Form C-1 or Form CB-1, the plat(s) required by this form; and 3) my operator name, address, phone number, fax, and email address.
- I have not provided this information to the surface owner(s). I acknowledge that, because I have not provided this information, the KCC will be required to send this information to the surface owner(s). To mitigate the additional cost of the KCC performing this task, I acknowledge that I must provide the name and address of the surface owner by filling out the top section of this form and that I am being charged a \$30.00 handling fee, payable to the KCC, which is enclosed with this form.

*If choosing the second option, submit payment of the \$30.00 handling fee with this form. If the fee is not received with this form, the KSONA-1 form and the associated Form C-1, Form CB-1, Form T-1, or Form CP-1 will be returned.*

I hereby certify that the statements made herein are true and correct to the best of my knowledge and belief.

Date: \_\_\_\_\_ Signature of Operator or Agent: \_\_\_\_\_ Title: \_\_\_\_\_

## PURCHASE AND SALE AGREEMENT

12<sup>th</sup> THIS PURCHASE AND SALE AGREEMENT ("**Agreement**") is entered into as of the 12<sup>th</sup> day of April, 2021 (the "**Effective Date**"), by and between Warhorse Petroleum Inc., a Colorado Corporation ("**Purchaser**"), R.R. Abderhalden, an Individual residing in the state of Kansas ("**Seller**") and RRA, Inc., a Kansas corporation ("**Operator**"), as current Operator of the Properties (as defined below).

### RECITALS

A. Seller is the owner of certain working interests and equipment related to leases lying in Greenwood County Kansas, including all oil, gas and mineral structures, improvements and related appurtenances located thereon and as legally described in **Exhibit "A"** (as further defined in Section 1.2.1, the "**Properties**").

B. Seller and Properties are subject to a certain Compliance Agreement entered into between Seller and the State of Kansas that requires, among other things, the Seller to "plug, return to service, or obtain temporary abandonment status" of 3 wells every quarter, starting June 30, 2016 and ending June 30, 2023 (the "**Compliance Agreement**") (A copy of which is attached as **Exhibit "C"**)

C. Purchaser desires to acquire the Properties and Seller is willing to sell the same to Purchaser under certain terms and conditions as set forth herein.

NOW, for and in consideration of the mutual covenants and promises hereinafter contained, Seller agrees to sell and Purchaser agrees to buy the Properties under the following terms and conditions.

### ARTICLE 1 PURCHASE AND SELL

1.1 Agreement to Sell and Purchase. Subject to the terms and conditions of this Agreement, Purchaser agrees to purchase and receive, and Seller agrees to sell, assign, transfer, convey, and deliver, the Assets, as of the Effective Date (as defined below).

1.2 Assets. The term "Assets" as used herein shall mean, subject to the provisions of Section 1.6, all of Seller's right, title and interest in and to the following:

1.2.1 All working interests pertaining to oil, gas and mineral leases, leasehold interests, operating rights, and other similar interests of whatever kind or character, whether legal or equitable, vested or contingent (collectively, "**Hydrocarbon Interests**"), which authorize or relate to the exploration for and production of Hydrocarbons in and under, or the right to share in production or the proceeds of production of Hydrocarbons produced from, the lands described in **Exhibit A** attached hereto, including, without limitation, those Hydrocarbon Interests described in **Exhibit A** and other Hydrocarbon Interests covering lands pooled, unitized or communitized with the lands described in **Exhibit A**. All such Hydrocarbon Interests

described in this Section 1.2.1 are hereinafter collectively called the "Properties" and singularly a "Property."

1.2.2 All crude oil, natural gas, condensate, distillate, and every other mineral or substance, or any of them, the right to explore for which, or an interest in which, is granted pursuant to the Properties (collectively "Hydrocarbons") produced from or allocable to such interests of Seller on and after the Effective Date.

1.2.3 To the extent assignable, any and all rights-of-way and easements (surface and subsurface); operating agreements; consulting agreements; exploration agreements; Hydrocarbon purchase, sales, exchange, processing, gathering, storage, treatment, compression, transportation and balancing agreements; farmout and farm-in agreements; options; joint venture agreements; participation agreements; dry hole, bottom hole, acreage contribution, purchase and acquisition agreements; area of mutual interest agreements; salt water injection and disposal agreements; service contracts; unitization, communitization or pooling agreements; permits; licenses; servitudes; and all other similar contracts and agreements and any amendments thereto relating to the Properties (collectively, the "Existing Contracts"); *provided, however*, that where an Existing Contract covers and relates to the Properties and to other properties, rights or interests owned by Seller, the term Existing Contract shall be limited to such rights thereunder that relate exclusively to the Properties.

1.2.4 All (i) surface and subsurface machinery, equipment, platforms, facilities, supplies and other personal property and fixtures of whatsoever kind or nature located on or under any of the Properties and which relate to or are useful for the production, treatment, storage, disposal or transportation of Hydrocarbons or water produced from the Properties, (ii) all oil wells, gas wells, water wells, salt water disposal wells, injection wells, plugged and abandoned or temporarily abandoned wells located on the Properties or used or operated exclusively in connection with the operation of the Properties (collectively, the "Wells"), including, without limitation, the Wells listed on **Exhibit B** attached hereto (where the context reasonably requires, for example, in the definition of the term "Good and Defensible Title" in Section 3.2.1, the term "Wells" shall also be deemed to include wells to be drilled at the proved undeveloped, probable and possible locations specified in **Exhibit B**), and (iii) all wellhead equipment, casing, tubing, rods, pumping units and engines, christmas trees, derricks, separators, compressors, dehydration units, heater-treaters, boilers, valves, gauges, meters, pumps, generators, motors, gun barrels, flow lines, tanks and tank batteries, water lines, gas lines, gas processing plants and other plants, gathering lines, laterals and trunklines, gas systems (for gathering, treating and compression), chemicals, solutions, water systems (for treating, disposal and/or injection), power plants, poles, lines, transformers, starters, controllers, machine shops, tools, storage yards and equipment stored therein, buildings and camps, telegraph, telephone and other communication systems, loading docks, loading racks and shipping facilities, equipment and facilities, and any and all additions, accessions to, substitutions and replacements of any of the foregoing, together with all attachments, components, parts, equipment and accessories installed thereon or affixed thereto, located on or used exclusively in connection with the operation of the Properties (all such machinery, equipment, platforms, facilities, supplies and other property, excluding, however, the Wells, being collectively called the "Personal Property").

1.2.5 All of the applicable files, records and data directly relating to the items described in Sections 1.2.1 through 1.2.6 (but including only copies of the hereinafter described tax and accounting records) to the extent readily accessible to Seller and created within the five (5) year period prior to the Effective Date, including, without limitation, legal files, land and lease files, title records, division order records, contracts, geological, geophysical and seismic data, and except where the transfer or disclosure of such data and records is restricted by agreement with third parties or excluded by the terms of this Agreement (as more fully set forth in Sections 1.6 and 8.8), production records, electric logs, core data, pressure data and decline curves and graphical production curves, and all related matters in the possession of Seller (collectively the "Records"); provided, however, that Seller has the rights with respect to such Records as provided in Section 1.5 below.

1.3 Effective Date. Ownership of the Assets shall be transferred from Seller to Purchaser at the Closing (as defined below), but shall be effective as provided in Section 2.4 below as of 12:01 o'clock a.m. (Central Time) on June 1, 2021, or such earlier time as the parties hereto may agree upon (the "Effective Date"). Except as may be otherwise specifically provided herein, Seller shall be entitled to any amounts realized from and accruing to the Assets (including contract rights, gas contract settlements, take-or-pay claims, and other claims and causes of action) for all periods prior to the Effective Date and, except as expressly assumed by Purchaser hereunder, shall be liable for the payment of all expenditures relating to the Assets and attributable to all periods prior to the Effective Date. Except as may be otherwise specifically provided herein, Purchaser shall be entitled to any amounts realized from and accruing to the Assets for all periods on and after the Effective Date, and shall be liable for the payment of all expenses relating to the Assets and attributable to all periods on and after the Effective Date.

1.4 Gauging and Strapping. Seller has caused the oil storage facilities on or utilized in connection with the Properties to be gauged or strapped as of the Effective Date for those Properties for which Seller serves as operator. Seller also has caused the gas production meter charts (or if such do not exist, the sales meter charts) on the pipelines transporting gas production from the Assets to be read as of the Effective Date for those Properties for which Seller serves as operator. For those Properties not operated by Seller, gauging or strapping records provided by the Operator(s) of the Properties or applicable state regulatory agency production reports or records shall be used to determine the amount of oil in storage or gas existing in the pipeline as of the Effective Date. Prior to the Closing, Purchaser shall be provided with access to the records of the gauging, strapping or chart reading for the purpose of verifying such records.

1.5 Records. Seller shall deliver to Purchaser, within thirty (30) days after the Closing or such later time as Purchaser may request, but in no event later than three (3) months after the Closing, all Records; provided, however, that Seller shall have no obligation to attempt to locate and provide to Purchaser any Records which are not reasonably accessible to Seller or which were created more than five (5) years prior to the Effective Date. Seller shall have the right to make and retain such copies of the Records as Seller may desire prior to the delivery of the Records to Purchaser. Purchaser, for a period of seven (7) years after the Closing, shall further make available to Seller (at the location of such Records in Purchaser's organization) access to the Records during normal business hours, upon written request of Seller, and Seller shall have the right to copy at its own expense and retain such copies of the Records. If, however, Purchaser elects to destroy any of the Records, either before or after the expiration of



such seven (7) year period, Purchaser shall give to Seller written notice of such intent at least thirty (30) days prior to such destruction, and Seller shall have the option, at its expense, of having such Records delivered to them. This obligation shall be an obligation running with the land, and Purchaser shall include the obligations set forth in this Section 1.5 as an obligation of any subsequent purchaser of any of the Properties in the applicable purchase and sale agreement with, and/or assignment to, such subsequent purchaser. Purchaser shall have no recourse or claim against Seller and shall hold Seller harmless from and against any claim of whatsoever nature as the result of the Records furnished to Purchaser by Seller.

## ARTICLE 2 SALE AND PURCHASE.

2.1 Purchase and Sale. At the Closing, Seller shall sell, assign, transfer, and convey to Purchaser, and Purchaser shall purchase and pay for, the Assets. At Closing, but effective as of the Effective Date, the Purchaser shall be deemed to (a) assume and fully perform all of Seller's express or implied covenants and conditions related to the Properties, (b) assume and agree to perform all duties and obligations of Seller applicable to the Properties and the operation of the Wells, including, without limitation, those with regard to operation or abandonment of Wells and/or operation or abandonment of fixtures and equipment on lands covered by the Properties including, where applicable, the plugging and abandonment of Wells, the removal of equipment and the restoration of the surface in accordance with the provisions of the any oil and gas leases or other agreements covering the Properties and any applicable laws.

2.2 Purchase Price. The total purchase price shall be the sum of Three Hundred Seventy-Five Thousand and No/100 Dollars (\$375,000.00) (the "**Purchase Price**"). The Purchase Price is based heavily on the Parties' mutual belief that the Properties, specifically the Geist, Wayham and Sullivan wells described in Exhibit B are currently producing 14 barrels of oil per day in total ("**Assumed Production**"). Prior to the Closing Date, the Parties shall work together to verify current production from the Properties. If the verified Current Production is less than the Assumed Production, the Purchaser, upon notice to the Seller, shall have the right to adjust the Purchase Price ("**the Amended Purchase Price**"). If the Amended Purchase Price is 90% of the Purchase Price or lower, then the Seller has the option to terminate this Agreement and neither Party shall have any additional obligations.

2.3 Closing Date: The Closing of the transactions contemplated by this agreement, (the "**Closing**") shall take place on or before June 1, 2021, or such date as the parties hereto may otherwise agree (the "**Closing Date**").

2.4 Transfer of Operations: Contemporaneous with the closing, Purchaser, Seller, and RRA shall complete the Change of Operator Form T-1 that is available on the Kansas Corporation Commission Oil and Gas Division website and submit the same on the closing date.

2.5 Determination of Adjusted Purchase Price. The net purchase price for the Assets (the "**Adjusted Purchase Price**") shall be determined as follows (with the following adjustments being made so as not to give any duplicative effect):

2.5.1 The Purchase Price (or the Amended Purchase Price, if applicable);

2.5.2 Plus the amount of all costs and expenses incurred by Seller on or in connection with the ownership or operation of the Assets which are attributable to periods on and after the Effective Date, including, without limitation: rentals, shut-in well payments, and other lease maintenance payments; capital costs not otherwise prohibited by the terms of this Agreement (including, without limitation, drilling costs, completion costs, acreage expenditures, acquisition expenditures, seismic expenditures, and waterflood expenditures); operating costs (including direct costs chargeable under applicable operating agreements or otherwise and consistent with the standards established by COPAS);

2.5.3 Plus the total amount of any Property Taxes (as defined below) paid by Seller, for its or other's account, relating to the Assets and attributable to any period of time on and after the Effective Date.

2.5.4 Less the amount of the actual proceeds received by Seller in the ordinary course of business that are attributable to Hydrocarbon production from the Properties on and after the Effective Date (net of severance taxes, royalties, overriding royalties, and other similar burdens upon such Hydrocarbons actually paid by or on behalf of Seller), together with any other monies or credits attributable to the ownership or operation of the Assets on and after the Effective Date;

2.5.5 Less all advances and deposits relating to the Assets that are received by Seller prior to the Closing Date and attributable to periods of time on or after the Effective Date;

2.5.6 Less the value of Seller's prorated shares of all accrued but unpaid Property Taxes relating to the Assets for the period prior to the Effective Date

2.6 Payment of Adjusted Purchase Price. At the Closing, Purchaser shall cause to be delivered by wire transfer to Seller in accordance with wire transfer instructions provided by Seller an amount in immediately available U.S. funds equal to the Purchase Price, or the Amended Purchase Price, if applicable, plus or minus the adjustments provided for in Section 2.4 (to the extent then known).

2.7 Tax Purchase Price Allocations. Seller and Purchaser recognize that reporting requirements, as imposed by Section 1060 of the Internal Revenue Code of 1986, as amended (the "IRC" or "Code"), and the regulations thereunder, may apply to the transaction contemplated by this Agreement. Except as may otherwise be required by the IRC and regulations thereunder or other Applicable Laws, Seller and Purchaser agree (i) that for tax reporting purposes, the Purchase Price shall be allocated among the Assets as set forth on **Exhibit B**, and such allocation shall be used in preparing Internal Revenue Service Form 8594 ("Form 8594") pursuant to the regulations under Section 1060, and (ii) not to assert, in connection with any tax return, tax audit, or similar proceeding, any allocation of the Purchase Price that differs from that set forth in **Exhibit B**. Upon any adjustment of the Purchase Price following the execution of this Agreement, Seller and Purchaser shall adjust the allocations reflected in **Exhibit B** accordingly and report such adjustments in conformity with Section 1060 and the regulations thereunder.

**ARTICLE 3**  
**ASSUMPTION OF COMPLIANCE AGREEMENT**

3. Assumption. Purchaser agrees to assume the obligations of the Seller under the Compliance Agreement and perform the required actions of either plugging, returning to service or obtaining temporary abandonment status for each of the wells which are subject to the Compliance Agreement and also listed on Exhibit B.

**ARTICLE 4**  
**CONDITIONS TO CLOSING**

4. Conditions Precedent to Obligations of Purchaser. The obligation of Purchaser to consummate the transactions contemplated by this Agreement is subject to the fulfillment, on or prior to the Closing Date, of each of the following conditions (any or all of which may be waived by Purchaser in whole or in part to the extent permitted by applicable Law):

4.1 Purchaser has received approval of this Agreement by its Board of Directors;

4.2 Purchaser has been approved for and received payment from a Bank or other third-party financing source in an amount greater to or equal to the Purchase Price.

4.3 The Kansas Corporation Commission agrees to Purchaser's assumption of the obligations of Seller under the Compliance Agreement, and to hold Purchaser solely responsible therefor, in accordance with Article 3.

**ARTICLE 5**  
**POST CLOSING ADJUSTMENTS**

5. Post-Closing Adjustments: After the Closing, there may still be oil in the tanks that was produced prior to the Effective Date but has not been transferred to and purchased by the crude oil buyer. Both parties agree that, on or before the first day of the month beginning on July, 2021, the Purchaser will pay the Seller an additional amount equal to the following:

5.1. the amount of the value of the Hydrocarbons produced from the Properties prior to the Effective Date, which is in the tanks and above the draw point on the effective date, less amounts payable as severance taxes, royalties, overriding royalties, and other similar burdens upon such Hydrocarbons, insofar as the proceeds from such production are received by the Purchaser after the Closing.

5.2. Plus the amount of all costs and expenses incurred by Seller on or in connection with the ownership or operation of the Assets which are attributable to periods on and after the Effective Date, including, without limitation: rentals, shut-in well payments, and other lease maintenance payments; capital costs not otherwise prohibited by the terms of this Agreement.

5.3. Less the amount of all costs and expenses incurred by Purchaser on or in connection with the ownership or operation of the Assets which are attributable to periods on and

before the Effective Date, including, without limitation: rentals, shut-in well payments, and other lease maintenance payments; capital costs not otherwise prohibited by the terms of this Agreement (including, without limitation, drilling costs, completion costs, acreage expenditures, acquisition expenditures, seismic expenditures, and waterflood expenditures); operating costs (including direct costs chargeable under applicable operating agreements or otherwise and consistent with the standards established by COPAS);

## **ARTICLE 6 REPRESENTATIONS AND WARRANTIES**

6.1 Representations and Warranties of Seller. Seller makes the following representations and warranties:

6.1.1 Right to Convey Property. Seller has the good and valid right to convey the Property to Purchaser without the joinder or approval of any other person or entity whatsoever.

6.1.2 Authority to Execute Agreement. Seller has full power and authority to execute this Agreement and carry out the transactions contemplated by it and no further action is necessary by Seller to make this obligation valid and binding upon Seller and enforceable against it in accordance with the terms hereof, or to carry out the actions contemplated hereby.

6.1.3 No Pending Litigation. To Seller's actual knowledge, there is no litigation pending against Seller that arises out of the ownership of the Property. Seller shall notify Purchaser promptly of any such litigation of which Seller become aware.

6.1.4 No Pending Condemnation. There is no pending condemnation or similar proceeding or action affecting the Property or any part thereof, and Seller has received no notice nor have any knowledge that any such proceeding is pending or contemplated.

6.1.5 No Liens or Encumbrances. There are no leases, liens, mortgages, deeds of trust, security agreements, or other encumbrances which have been created by, through, or under Seller with respect to the Property.

6.1.6 No Conveyance of Property to Other(s). Seller has not heretofore and shall not devise, transfer, assign, or otherwise convey the Property or any portion thereof to any other person prior to the Closing Date.

6.1.7 No Breach of Other Agreements. Neither the entering into this Agreement nor the consummation of the transactions contemplated herein will cause a violation or breach by Seller of any contracts, agreements, or instruments to which Seller is a party or by which Seller or any of the Property are bound.

6.1.8 No Violation of Judgment. Neither the entering into this Agreement nor the consummation of the transactions contemplated herein constitute a violation of any

order, judgment or decree to which Seller is a party or by which Seller's assets or properties are bound or affected.

6.1.9 Taxes Paid. Seller has timely prepared and filed all federal, state and local tax returns and reports as are and have been required to be filed and all taxes shown thereon to be due have been paid in full, including but not limited to, sales tax, withholding tax and all other taxes of every nature.

6.1.10 Good and Merchantable Title. Seller has good and merchantable title to the Property.

6.1.11 Seller's Affirmation of Representations and Warranties. Seller shall refrain from taking any action which could cause any of the foregoing representations or warranties and agreements of Seller to become incorrect or untrue at any time from the Effective Date through the Closing Date. Seller shall be deemed to have reaffirmed the representations and warranties contained in this Section 6.1 at Closing.

6.2 Representations and Warranties of Purchaser. Purchaser makes the following representations and warranties:

6.2.1 Authority to Execute Agreement. Purchaser has full power and authority to execute this Agreement and carry out the transactions contemplated by it and no further action is necessary by Purchaser to make this obligation valid and binding upon Purchaser and enforceable against it in accordance with the terms hereof, or to carry out the actions contemplated hereby.

6.2.2 No Breach of Other Agreements. Neither the entering into this Agreement nor the consummation of the transactions contemplated herein will cause a violation or breach by Purchaser of any contracts, agreements, or instruments to which Purchaser is a party or by which Purchaser is bound.

6.2.3 No Violation of Judgment. Neither the entering into this Agreement nor the consummation of the transactions contemplated herein constitute a violation of any order, judgment or decree to which Purchaser is a party or by which Purchaser's assets or properties are bound or affected.

6.2.4 Purchaser's Affirmation of Representations and Warranties. Purchaser shall refrain from taking any action which could cause any of the foregoing representations or warranties and agreements of Purchaser to become incorrect or untrue at any time from the Effective Date through the Closing Date. Purchaser shall be deemed to have reaffirmed the representations and warranties contained in this Section 6.2 at Closing.

6.3 In the event that Seller or Purchaser learn that any of said representations or warranties becomes inaccurate between the Effective Date and the Closing Date, Seller or Purchaser shall immediately notify the other party of such change and that party may either (a) terminate this Agreement and the parties shall have no further rights or

obligations hereunder with respect to the Property, except for those rights or obligations which expressly survive such termination, or (b) waive such right to terminate and proceed with the transaction pursuant to the remaining terms and conditions of this Agreement.

6.4 Notwithstanding anything herein to the contrary, **SELLER MAKES NO REPRESENTATIONS OR WARRANTIES, AND HEREBY EXPRESSLY DISCLAIMS ALL REPRESENTATIONS AND WARRANTIES, (a) AS TO (I) THE CONTENTS, CHARACTER OR NATURE OF ANY MEMORANDUM, REPORT, OR RECORDS RELATING TO THE ASSETS, (II) THE QUANTITY, QUALITY OR RECOVERABILITY OF HYDROCARBONS IN OR FROM THE PROPERTIES, (III) ANY ESTIMATES OF THE VALUE OF THE ASSETS OR FUTURE REVENUES GENERATED BY THE ASSETS, (IV) THE PRODUCTION OF HYDROCARBONS FROM THE PROPERTIES, (V) THE MAINTENANCE, REPAIR, CONDITION, QUALITY, SUITABILITY, DESIGN OR MERCHANTABILITY OF ANY ASSETS, AND (b) AS TO ANY MATTER OR CIRCUMSTANCE RELATING TO ENVIRONMENTAL LAWS, ENVIRONMENTAL LIABILITIES, OR ANY OTHER ENVIRONMENTAL CONDITION OF THE PROPERTIES, AND NOTHING IN THIS AGREEMENT OR OTHERWISE SHALL BE CONSTRUED AS SUCH A REPRESENTATION OR WARRANTY, AND PURCHASER SHALL BE DEEMED TO BE TAKING THE ASSETS "AS IS" AND "WHERE IS" FOR ALL PURPOSES.**

## ARTICLE 7 TRANSACTIONS PRIOR TO CLOSING

### 7. Transactions Prior to closing

7.1 Satisfaction of Encumbrance or Lien. Seller shall deliver to Purchaser on the Closing Date a satisfaction of any encumbrance or lien on the Property satisfactory in form and substance to the Purchaser indicating that the then outstanding unpaid principal balance of any promissory note secured thereby has been paid in full prior to or simultaneously with the Closing.

7.2 Advisement of Disclosures. Between the Effective Date and the Closing Date, Seller will promptly advise Purchaser in writing of any fact which, if existing or known as of the Effective Date, would have been required to be set forth herein or disclosed pursuant to this Agreement.

7.3 Delivery of Documentation. Seller shall deliver to Purchaser at Closing such documents which are necessary to fully satisfy the objectives of this Agreement in content and form reasonably intended to do so.

7.4 Maintenance Expenses and Prorations Paid. Seller shall pay all maintenance expenses and proration(s) related to the Property, including any real property tax obligations and insurance obligations, which accrue prior to the Closing Date.

7.5 Costs and Expenses. Each of the parties shall pay its own cost and expenses in connection with this Agreement and the transactions contemplated hereby, including the fees and expenses of its counsel and certified public accountants.

7.6 Confidentiality. Any and all non-public information of any type or description, including, but not limited to, financial statements and projections of either party, proprietary or trade secret information, whether written or verbal, or any information given to a party by the other party in connection with the transactions contemplated by this Agreement, is proprietary and confidential in nature, and shall be treated as such, except with the prior written consent of the other party and except to the extent enforcement of its terms or applicable law require public disclosure. This provision shall not apply following the Closing to any such information that is or becomes publicly available through no fault of either party. Each party shall have the right to disclose any such information to its professional advisors, lenders, investors and other third parties who need to know such information for the purposes of assisting that party with the negotiation and consummation of this Agreement, provided that party advises such parties of their confidential obligations under this Agreement, and provided that party remains responsible for any violations of this Section 7.6.

## ARTICLE 8 INDEMNITY

8.1 Purchaser acknowledges that the Assets have been used for the exploration, development, and production of Hydrocarbons, that there may be petroleum, produced water, wastes, hazardous materials, or other substances or materials located in, on or under the Properties or associated with the Assets, and that it has had an opportunity to inspect the Assets. **AS OF CLOSING, PURCHASER AGREES TO ASSUME ALL RESPONSIBILITY AND LIABILITY RELATED TO THE ASSETS, INCLUDING, WITHOUT LIMITATION, RESPONSIBILITY AND LIABILITY FOR ANY OPERATIONS, ACTIVITIES, OR EVENTS ON OR RELATED TO THE PROPERTIES, AND/OR THE ENVIRONMENTAL CONDITION OF THE ASSETS, WHETHER OR NOT SUCH OPERATIONS, ACTIVITIES, OR EVENTS OCCURRED, OR SUCH CONDITION EXISTED, PRIOR TO, ON, OR AFTER THE EFFECTIVE DATE, AND AGREES TO DEFEND, INDEMNIFY AND HOLD SELLER, ITS PAST, CURRENT, AND FUTURE OFFICERS, DIRECTORS, AGENTS, EMPLOYEES, STOCKHOLDERS AND AFFILIATED ENTITIES, HARMLESS FROM ANY AND ALL CLAIMS, DEMANDS, SUITS, ACTIONS, LIABILITIES, OBLIGATIONS, LOSSES, COSTS AND EXPENSES OF ANY KIND OR CHARACTER (INCLUDING, WITHOUT LIMITATION, PUNITIVE, EXEMPLARY, OR OTHER SPECIAL DAMAGES, AND REASONABLE ATTORNEY'S FEES) ARISING FROM OR RELATED TO OPERATIONS, ACTIVITIES, OR EVENTS OCCURRING ON OR RELATED TO THE PROPERTIES, OR ENVIRONMENTAL CONDITION OF THE ASSETS, INCLUDING, WITHOUT LIMITATION, THE PRESENCE OF ANY ENVIRONMENTAL CONTAMINANTS WHICH MAY BE ON THE ASSETS AS THE RESULT OF OIL AND GAS OPERATIONS RELATED TO THE PROPERTIES WITHOUT REGARD TO WHEN SUCH OPERATIONS, ACTIVITIES, EVENTS, CONDITIONS OR CONTAMINATION OCCURRED, OR WHETHER BASED ON ANY THEORY OF NEGLIGENCE or**

STRICT LIABILITY UNLESS CAUSED SOLELY BY SELLER'S NEGLIGENCE, GROSS NEGLIGENCE OR WILLFUL MISCONDUCT. THE OBLIGATIONS OF PURCHASER PURSUANT TO THIS SECTION 8.1 SHALL SURVIVE CLOSING.

8.2 AS OF THE CLOSING, PURCHASER AGREES TO DEFEND, INDEMNIFY AND HOLD SELLER, ITS PAST, PRESENT, AND FUTURE OFFICERS, DIRECTORS, AGENTS, EMPLOYEES, STOCKHOLDERS AND AFFILIATED ENTITIES, HARMLESS FROM ANY AND ALL CLAIMS, DEMANDS, SUITS, ACTIONS, LIABILITIES, OBLIGATIONS, LOSSES, COSTS AND EXPENSES OF ANY KIND OR CHARACTER (INCLUDING, WITHOUT LIMITATION, PUNITIVE, EXEMPLARY, OR OTHER SPECIAL DAMAGES, AND REASONABLE ATTORNEY'S FEES) REGARDING THE OPERATION OF OR PLUGGING AND ABANDONMENT OF ANY WELLS ON THE PROPERTIES UNLESS CAUSED SOLELY BY SELLER'S NEGLIGENCE, GROSS NEGLIGENCE OR WILLFUL MISCONDUCT. THE OBLIGATIONS OF PURCHASER SET FORTH IN THIS SECTION 8.2 SHALL SURVIVE CLOSING.

## ARTICLE 9 GENERAL PROVISIONS

### 9. General Provisions:

9.1 Survival of Representations and Warranties. Each of the parties to this Agreement covenants and agrees that its respective representations, warranties, covenants, statements, and agreements contained in this Agreement survive the Closing Date. Except as set forth herein, the exhibits hereto or in the documents and papers delivered by Seller to Purchaser in connection herewith, there are no other agreements, representations, warranties, or covenants by or among the parties hereto with respect to the subject matter hereof.

9.2 Waivers. No action taken pursuant to this Agreement, including any investigation by or on behalf of any party shall be deemed to constitute a waiver by the party taking such action of compliance with any representation, warranty, covenant or agreement contained herein or therein and in any documents delivered in connection herewith or therewith. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach.

9.3 Headings. The headings contained in this Agreement are for convenience and reference purposes only and do not limit or affect the terms and provisions of this Agreement.

9.4 Governing Law. This Agreement, and all transactions contemplated hereby, shall be governed by, construed and enforced in accordance with the laws of the State of Kansas, and jurisdiction and venue for any lawsuits resulting from or arising out of this Agreement or the performance thereof shall lie solely in the courts located in Greenwood County, Kansas. In the event that litigation between the parties hereto results from or arises out of this Agreement or the performance thereof, the prevailing party shall be entitled to recover from the other party its reasonable attorneys' fees, court costs, and all other expenses, whether or not taxable by the court



as costs, in addition to any other relief to which the prevailing party may be entitled.

9.5 Time of the Essence. Time and timely performance are of the essence of this Agreement and of the covenants and provisions hereunder.

9.6 Successors and Assigns. Rights and obligations created by this Agreement shall be binding upon and inure to the benefit of the parties hereto, their respective successors and permitted assigns. This agreement may be assigned to an affiliate of Purchaser upon notice thereof to Seller.

9.7 Gender. Whenever used, the singular number shall include the plural, the plural the singular, and the use of any gender shall include all genders.

9.8 Contractual Procedures. Unless specifically disallowed by law, should litigation arise hereunder, service of process therefore may be obtained through certified mail, return receipt requested; the parties hereto waiving any and all rights they may have to object to the method by which service was perfected if done in compliance with this Article 9.8.

9.9 Amendments. This Agreement may not be altered, amended, changed, waived, terminated or modified in any respect or particular unless the same is in writing and signed by or on behalf of Purchaser and Seller.

9.10 Notices. All notices, requests, demands and other communications which are required or may be given under this Agreement shall be in writing and shall be deemed to have been duly given if delivered or mailed, first class mail, postage prepaid,

To Seller and Operator: R. R. Abderhalden  
100 S Main St #510  
Wichita, KS 67202

To Purchaser: Warhorse Petroleum Inc  
10876 Maple Rd  
Lafayette, CO 80026  
Attn: John Herring

or to such other address as such party shall have specified by notice in writing to the other party.

IN WITNESS WHEREOF, the undersigned have duly executed this Purchase and Sale Agreement effective as of the Effective Date.

**SELLER:**

R. R. Abderhalden  
R. R. Abderhalden

**OPERATOR**

**R.R.A, INC,**  
a Kansas corporation

By: R. R. Abderhalden  
R.R. Abderhalden  
Title: President

**PURCHASER:**

**WARHORSE PETROLEUM INC,**  
a Colorado corporation

By: John S. Herring  
John S. Herring  
Chief Operations Officer

## EXHIBIT "A"

### Description of Properties

Dated: May 14<sup>th</sup>, 1925  
Lessors: R.A. Fuller, et ux.  
Lessee: R.D. Jones  
Recorded: Book 13, Page 31, Records of Greenwood County, Kansas  
On and Covering: NW/4 of SW/4 and N/2 SW/4 SW/4 of Section 1 Township 22 South Range 10 East Greenwood County, Kansas

Dated: May 14, 1925  
Lessors: R.A. Fuller, et ux.  
Lessee: R.D. Jones  
Recorded: Book 13, Page 29, Records of Greenwood County, Kansas  
On and Covering: SE/4 SW/4 of Section 1 Township 22 South Range 10 East Greenwood County, Kansas

Dated: April 11, 1925  
Lessors: R.A. Fuller, et ux.  
Lessee: R. E. Day  
Recorded: Book 13, Page 63, Records of Greenwood County, Kansas  
On and Covering: S/2 SW/4 of Section 1 Township 22 South Range 10 East Greenwood County, Kansas

Dated: July 11, 1924  
Lessors: R. D. Sheppard, et ux.  
Lessee: W. H. Hamer  
Recorded: Book 12, Page 420, Records of Greenwood County, Kansas  
On and Covering: SW/4 and W/2 SE/4 of Section 2 and N/2 NW/4 of Section 11 Township 22 South Range 10 East Greenwood County, Kansas

Dated: March 28<sup>th</sup>, 1923  
Lessors: Alice Bradfield, et al.  
Lessee: C. A. Gentles  
Recorded: Book 11, Page 170, Records of Greenwood County, Kansas  
On and Covering: E/2 SE/4 of Section 2 Township 22 South Range 10 East Greenwood County, Kansas

Dated: February 21, 1924  
Lessors: Mary J. Green, et al.  
Lessee: F.A. Gordon, et al.  
Recorded: Book 88, Page 288, Records of Greenwood County, Kansas

On and Covering: NE/4 of Section 11 Township 22 South Range 10 East Greenwood County, Kansas

Dated: December 12, 1922

Lessors: C. E. De Malorie, et al.

Lessee: R. F. Meeker

Recorded: Book 10, Page 471, Records of Greenwood County, Kansas

On and Covering: SE/4, less and except S/2 SW/4 SE/4 and SW/4 SE/4 SE/4, and S/2 of NE/4 of Section 12 Township 22 South Range 10 East Greenwood County, Kansas

Dated: August 15, 1921

Lessors: Charles E. De Malorie, et al.

Lessee: L. L. Lindsay

Recorded: Book 9, Page 44 Records of Greenwood County, Kansas

On and Covering: NW/4 NE/4 of Section 12 Township 22 South Range 10 East Greenwood County, Kansas

Dated: January 26, 1924

Lessors: Chas. E. Day

Lessee: R. E. Day

Recorded: Book 11, Page 458, Records of Greenwood County, Kansas

On and Covering: NE/4 NE/4 of Section 12 Township 22 South Range 10 East Greenwood County, Kansas

Dated: January 8, 1916

Lessors: Felix H. Hull and Edna B. Hull

Lessee: The Great Southern Oil Company

Recorded: Book J, Page 489, Records of Greenwood County, Kansas

On and Covering: SE/4 of Section 35 and all of Section 2 north of the railroad Township 25 South Range 8 East Greenwood County, Kansas

Dated: January 15, 1916

Lessors: Arthur R. Stevenson and Mabel W. Stevenson

Lessee: The Great Southern Oil Company

Recorded: Book K Misc., Page 411 Records of greenwood County, Kansas

On and Covering: All of Section 2-26S-8E lying south of the Railroad and East of the County Road; W/2 NE/4 and all that part of the NW/4 lying East of the County Road Sec. 11-26S-8E, Greenwood County, Kansas. All that part of the NW/4 lying West and South of the Railroad Sec. 12-26S-8E, Greenwood County, Kansas.

Dated: July 11, 1916

Lessors: Cora Finley, et al.

Lessee: B. W. Grant

Recorded: Book L Misc., Page 486  
On and Covering: E/2 of W/2 and N/2 of N/2 of NE/4 Section 14 Township 24 South Range 12 East, Greenwood County, Kansas

Dated: July 21, 1916  
Lessors: Martha E. Briggs, et al.  
Lessee: B. W. Grant  
Recorded: Book L Misc., Page 491  
On and Covering: E/2 of W/2 and N/2 of N/2 of NE/4 Section 14 Township 24 South Range 12 East, Greenwood County, Kansas

Dated: July 9, 1916  
Lessors: John P. Wayham, et al.  
Lessee: B. W. Grant  
Recorded: Book L Misc., Page 496  
On and Covering: SE/4 and the S/2 NE/4 and the S/2 N/2, NE/4 Section 14 Township 24 South Range 12 East, Greenwood County, Kansas

Dated: April 29<sup>th</sup>, 1916  
Lessors: Charles Geist and Anna Geist  
Lessee: B.W. Grant  
Recorded: Book M Misc., Page 21  
On and Covering: SW/4 Section 13 Township 24 South Range 12 East, Greenwood County, Kansas

Initials:

Seller: RRR

Purchaser: JH

**EXHIBIT B  
List of Wells**

Lease	Well #	API	Lease	Well #	API
Demalorie-Sowder	2	15-073-01228	Geist	1	15-073-01304
Demalorie-Sowder	4	15-073-01229	Geist	5	15-073-01307
Demalorie-Sowder	6	15-073-01230	Geist	6	15-073-01308
Demalorie-Sowder	8	15-073-01231	Sullivan	1	15-073-01291
Demalorie-Sowder	13	15-073-01233	Sullivan	18	15-073-01293
Demalorie-Sowder	67	15-073-01239	Sullivan	19	15-073-01294
Demalorie-Sowder	90	15-073-01240	Sullivan	20	15-073-01295
Demalorie-Sowder	93	15-073-01241	Sullivan	21	15-073-01296
Demalorie-Sowder	94	15-073-21318	Sullivan	22	15-073-01297
Demalorie-Sowder	95	15-073-21383	Sullivan	23	15-073-01298
Demalorie-Sowder	97	15-073-22156	Sullivan	24	15-073-01299
Demalorie-Sowder	98	15-073-23371	Sullivan	26	15-073-01300
Demalorie-Sowder	9-WINJ	15-073-19841	Wayham	7	15-073-01269
Hull	R1	15-073-20103	Wayham	8	15-073-01270
Hull	R3	15-073-20356	Wayham	10	15-073-01271
Hull	R4	15-073-20433	Wayham	23	15-073-01279
Hull	R5	15-073-20537	Wayham	24	15-073-01280
Hull	R6	15-073-20596	Wayham	25	15-073-01281
Hull	SW2	15-073-23684	Wayham	26	15-073-01282
STEVENSON	15	15-073-01261	Wayham	31	15-073-01287
STEVENSON	16	15-073-01262	Wayham	32	15-073-01288
STEVENSON	18	15-073-01264	Wayham	33	15-073-01289
STEVENSON	19	15-073-01265	Wayham	34	15-073-01290
STEVENSON	20	15-073-01266	Wayham	W6	15-073-19987
STEVENSON	R1	15-073-20104-0002	Wayham	WS1	15-073-01267
STEVENSON	R2	15-073-20210			
STEVENSON	R4	15-073-20521			
STEVENSON	R5	15-073-20536			
STEVENSON	R6	15-073-20597			
STEVENSON	W7	15-073-01257			

Purchase Price allocation

Leasehold: \$100,000

Equip \$275,000