

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: _____

EXHIBIT "A"

(To that certain Assignment of Oil and Gas Leases from Whitetail Crude, Inc. to Darland Oil Co., Inc.; Andrew Stenzel; Watchous & Watchous Energy; Watchous Empire; Hartle, Watson & Hyde, Inc; Sutton Family Trust; Patrick J. Gerstner Oil, L.L.C.; Keep Drilling, L.L.C.; Watchous Enterprises, L.L.C.)

Lessor: Louis R. Beil and Veldivia J. Beil, Trustees of the Louis R. Beil and Veldivia J. Beil Trust of 1996
Lessee: J. Fred Hambright, Inc.
Date: September 5, 2002
Book: 55
Page: 224
Legal Description: The Northeast Quarter (NE/4) of Section 26, Township 24 South, Range 23 West, Hodgeman County, Kansas

Lessor: Harold L. Schaffer, a widower
Lessee: Jack Bowles
Date: May 1, 2010
Book: OG66
Page: 101
Legal Description: Lot 1 (45.41 ac); Lot 2 (45.64 ac); East Half of the Northwest Quarter (E/2 NW/4) and the Northwest Quarter (NW/4), Section 30, Township 24 South, Range 22 West, Hodgeman County, Kansas

OPERATING AGREEMENT

THIS AGREEMENT, Made and entered into this 1st day of February, 2021, by and between:

Darland Oil Co., L.L.C; Watchous & Watchous Energy; Watchous Empire; Andrew Stenzel; Hartle, Watson & Hyde, Inc.; Sutton Living Trust; Keep Drilling, L.L.C.; Patrick J. Gerstner Oil, L.L.C.; Watchous Enterprises, L.L.C.

hereinafter referred to as "Non-Operators", and Palomino Petroleum, Inc., 4924 SE 84th St., Newton, Kansas 67114-8827, hereinafter referred to as "Operator";

WITNESSETH That:

WHEREAS, Non-Operators and Operator are the owners of certain oil and gas leasehold estates upon and covering the following described lands, to-wit:

SCHAFFER

The Northeast Quarter (NE/4) of Section 26, Township 24 South, Range 23 West, Hodgeman County, Kansas

WHEREAS, the parties hereto have agreed with reference to the operation and management of the aforesaid jointly owned property in accordance with the further provisions hereof:

NOW, THEREFORE, in consideration of the premises and of the mutual advantages to be gained thereby, the parties hereto agree as follows:

FIRST: It is agreed that the operation of the above described leased premises shall be under the general management and supervision of the Operator; provided however, that no additional well or wells shall be drilled on the aforesaid lease without the consent of a majority in interest of owners, unless any such additional well or wells are necessary to be drilled in order to protect the leased premises from drainage by off-set wells. After any well has been equipped for production, then no additional single expenditure in excess of One Hundred Thousand (\$100,000.00) Dollars shall be made without the consent of a majority in interest of owners.

SECOND: Operator shall advance and pay all costs and expenses of the joint lease account in connection with all drilling, development and operations of said leased premises and shall charge each owner with his or its proportionate part and all material and equipment so acquired in connection with the prudent development and operation of said premises shall be owned by the said parties hereto in proportion to their respective interests in said oil and gas leasehold estate.

THIRD: On or before the 20th day of each month Operator shall furnish Non-Operators with a statement showing in detail all expenditures and liabilities incurred in connection with the ownership, operation and development of said described premises during the preceding calendar month and Non-Operators, on or before the tenth day thereafter, shall pay to Operator his or its proportionate share of such statement and in the event of the failure of any Non-Operator to pay the amount due as shown by any such statement within the time herein provided, then such unpaid amount shall bear interest at the rate of ten per cent (10%) per annum until paid. Operator shall have a lien on the interests of the Non-Operators in the leased premises, the equipment and all of the oil and gas production thereof, to secure the payment of all sums owed to the Operator.

Operator shall have the right, and is hereby authorized and empowered (division order to the contrary notwithstanding) in event of default in payment of operating charges for the ninety (90) days or longer, to collect and receive the proceeds of the sale of the interest of any Non-Operator who is indebted to Operator in and to the oil and gas produced and sold from said lease until such time as all sums owing to the Operator have been fully paid and satisfied.

Payment of any item shall not prejudice the right of any party to protest or question the correctness thereof, provided that Operator shall not be required to adjust any item unless a claim therefore has been presented within a period of ninety (90) days from the date of the rendition of any such statement.

The following overhead charges shall be in lieu of any charges for salaries paid to managing officers other than the production superintendent:

- (a) \$ 2,000.00 a month for each drilling well beginning on the date the well is spudded and terminated when it is on production or is plugged, as the case may be.
- (b) \$ 325.00 per well per month for the first producing well.
- (c) \$ 325.00 per well per month for the additional producing wells.

FOURTH: If Operator hereto desires to drill a well or wells and the Non-Operators hereto, or any of them, shall not desire to join in or share the expenses of drilling, testing, completing and equipping such well or wells on the leased premises, then and in that event, upon the failure of any such Non-Operator to so join in or share in such operation, or in the event for any reason such operation, or in the event for any such Non-Operator fails, within Thirty (30) days, to respond to Operator's notification that Operator desires to drill such additional well or wells, or in the event Operator is unable to get in touch with any such Non-Operator, then and in any such event, Operator may proceed to drill, test, and complete such well or wells at its own expense, and upon completion thereof, either as a producing or non-producing well, shall be entitled to receive all of the oil, gas and other production and the net proceeds therefrom accruing to the interest of any such Non-Operator from any and all wells on said leased premises, until Operator shall have received from such proceeds, after deducting current operating expenses and royalties, an amount equal to Eight Hundred Per Cent (800%) of the cost of drilling, testing, completing and equipping any such well or wells. When Operator is so reimbursed as aforesaid, such Non-Operator shall thereupon become entitled to resumption of his right to receive proceeds accruing to his interest in and to said leased premises.

FIFTH: It is expressly agreed that any Non-Operator shall keep Operator informed as to any anticipated change in ownership and each Non-Operator shall at all times keep on file with Operator an address or addresses where any such Non-Operator may be reached and notification given as provided for herein; and unless such address or addresses are so furnished to Operator, Operator shall be under no obligation to notify any Non-Operator not keeping an address on file with Operator.

SIXTH: Non-Operators shall have the following specific rights and privileges:

- (a) Access to any lease covered hereby at all reasonable times to inspect the work of development and operation.
- (b) The right to inspect the logs, samples and cuttings from any and all wells drilled hereunder.
- (c) The right to inspect and audit, at all reasonable times, the Operator's books, records and invoices pertaining to any matter of accounting arising hereunder.

SEVENTH: Operator shall carry public liability and workmen's compensation insurance in such amounts as it deems adequate and keep such insurance in full force and effect at all times, the premium to be charged to the joint account.

EIGHTH: This agreement shall not be construed to constitute a partnership, mining partnership, joint venture, association or corporation, by, between or among any of the parties hereto, and each party hereto shall only be liable for and responsible for his or its proportionate share of any cost and expense attributable to such share in and to the leasehold estates covered hereunder, and likewise each owner shall be free to take in kind or to sell his share of any and all production from said lease, or leases, to whomever he or it shall desire (subject to Provision Ten (10) which follows), and all of the terms and provisions hereof shall be construed as covenants running with the lands and the leasehold estates covered hereby and shall be available to and binding upon the respective heirs, executors, administrators, successors and assigns of the parties hereto. While each of the parties hereto recognizes that its rights and liabilities hereunder are individual, if, solely for federal income tax purposes, and for no other reason, the parties should be regarded as partners or joint ventures, and the operations carried on under this agreement be required to be treated as a partnership or joint

venture as defined in Sec. 761 of the Internal Revenue Code of 1954 for federal income tax purposes, all the parties hereto hereby elect to exclude such operations from the application of all sub-chapter K of the Internal Revenue Code of 1954, as provided in Sec. 761 (a) of said sub-chapter.

NINTH: This agreement shall continue in effect so long as Operator operates and manages said lease in a prudent manner, and Operator or one of Operators owns an interest in said oil and gas lease.

TENTH: In the event any Non-Operator should elect to sell his interest, or any part thereof, in the Oil and Gas Lease on and covering the lands hereinbefore described, then Operator shall have the preferential right to purchase the same, and Non-Operator shall first offer the same to Operator at the offered price and terms available from any bona fide, willing and able purchaser, and shall notify Operator by mail as to his intention to so sell his interest in this lease; and Operator shall be allowed ten (10) business days with which to purchase such interest at the offered price and terms.

Should a sale be made by Operator of its rights and interests, the other parties shall have the right within sixty (60) days after the date of such sale, by majority vote in interest, to select a new Operator. If a new Operator is not so selected, the transferee of the present Operator shall assume the duties of and act as Operator.

ELEVENTH: Whenever any holder of a fractional working interest conveys an interest of less than 1/32nd, or if such a transfer results by operation of law under probate or otherwise, all of such successors in interest including the transferor if he retains a portion of the interest, shall designate one of their number as agent for all of such transferees in order to preserve a minimum unit of the W.I. which shall be not less than 1/32nd in amount. The designated operator shall be privileged to deal with said agent in the same manner as prior to such transfer upon the proper showing of agency. If such agency is not formed, the operator may disregard the transferees and direct the crude oil or gas purchaser to remit directly to the operator and the operator shall hold such fund, less expenses, for ultimate transfer to such agent, when and if appointed. Nothing herein shall be construed to effect the preferential right of purchase given to the operator under paragraph TENTH herein.


This Operating Agreement may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, the parties hereto have executed this agreement this day and year first above written.

DARLAND OIL CO., L.L.C.

By: 
David Darland

WATCHOUS & WATCHOUS ENERGY

By: 
Kale Robert Watchous, Manager

WATCHOUS EMPIRE

By: 
Kale Robert Watchous

ANDREW STENZEL

HARTLE, WATSON & HYDE, INC.

By: _____

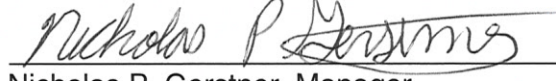
Print name: _____

SUTTON LIVING TRUST

By: _____

Print name: _____

KEEP DRILLING, L.L.C.

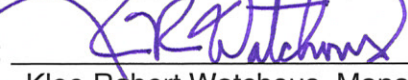
By: 
Nicholas P. Gerstner, Manager

PATRICK J. GERSTNER OIL, L.L.C.

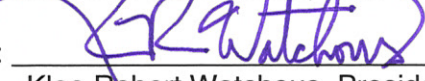
By: _____

Patrick J. Gerstner

WATCHOUS ENTERPRISES, L.L.C.

By: 
Klee Robert Watchous, Manager

PALOMINO PETROLEUM, INC.

By: 
Klee Robert Watchous, President

This Operating Agreement may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, the parties hereto have executed this agreement this day and year first above written.

DARLAND OIL CO., L.L.C.

By: _____
David Darland

WATCHOUS & WATCHOUS ENERGY

By: *Kale R Watchous*
Kale Robert Watchous, Manager

WATCHOUS EMPIRE

By: *Kale R Watchous*
Kale Robert Watchous

Andrew Stenzel
ANDREW STENZEL

HARTLE, WATSON & HYDE, INC.

By: _____

Print name: _____

SUTTON LIVING TRUST

By: _____

Print name: _____

KEEP DRILLING, L.L.C.

By: _____
Nicholas P. Gerstner, Manager

PATRICK J. GERSTNER OIL, L.L.C.

By: _____
Patrick J. Gerstner

WATCHOUS ENTERPRISES, L.L.C.

By: _____
Klee Robert Watchous, Manager

PALOMINO PETROLEUM, INC.

By: _____
Klee Robert Watchous, President

This Operating Agreement may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, the parties hereto have executed this agreement this day and year first above written.

DARLAND OIL CO., L.L.C.

By: _____
David Darland

WATCHOUS & WATCHOUS ENERGY

By: *Kale R. Watchous*
Kale Robert Watchous, Manager

WATCHOUS EMPIRE

By: *Kale R. Watchous*
Kale Robert Watchous

ANDREW STENZEL

HARTLE, WATSON & HYDE, INC.

By: *Richard H. White*

Print name: *Richard H. White, President*

SUTTON LIVING TRUST

By: _____

Print name: _____

KEEP DRILLING, L.L.C.

By: _____
Nicholas P. Gerstner, Manager

PATRICK J. GERSTNER OIL, L.L.C.

By: _____
Patrick J. Gerstner

WATCHOUS ENTERPRISES, L.L.C.

By: _____
Klee Robert Watchous, Manager

PALOMINO PETROLEUM, INC.

By: _____
Klee Robert Watchous, President

This Operating Agreement may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, the parties hereto have executed this agreement this day and year first above written.

DARLAND OIL CO., L.L.C.

By: _____
David Darland

WATCHOUS & WATCHOUS ENERGY

By: *Kale R Watchous*
Kale Robert Watchous, Manager

WATCHOUS EMPIRE

By: *Kale R Watchous*
Kale Robert Watchous

ANDREW STENZEL

HARTLE, WATSON & HYDE, INC.

By: _____

Print name: _____

SUTTON LIVING TRUST

By: *Warren J Sutton*

Print name: *WARREN J SUTTON*

KEEP DRILLING, L.L.C.

By: _____
Nicholas P. Gerstner, Manager

PATRICK J. GERSTNER OIL, L.L.C.

By: _____
Patrick J. Gerstner

WATCHOUS ENTERPRISES, L.L.C.

By: _____
Klee Robert Watchous, Manager

PALOMINO PETROLEUM, INC.

By: _____
Klee Robert Watchous, President

This Operating Agreement may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, the parties hereto have executed this agreement this day and year first above written.

DARLAND OIL CO., L.L.C.

By: _____
David Darland

WATCHOUS & WATCHOUS ENERGY

By: Kale R. Watchous
Kale Robert Watchous, Manager

WATCHOUS EMPIRE

By: Kale R. Watchous
Kale Robert Watchous

ANDREW STENZEL

HARTLE, WATSON & HYDE, INC.

By: _____

Print name: _____

SUTTON LIVING TRUST

By: _____

Print name: _____

KEEP DRILLING, L.L.C.

By: _____
Nicholas P. Gerstner, Manager

PATRICK J. GERSTNER OIL, LLC

By: Patrick J. Gerstner
Patrick J. Gerstner

WATCHOUS ENTERPRISES, L.L.C.

By: _____
Klee Robert Watchous, Manager

PALOMINO PETROLEUM, INC.

By: _____
Klee Robert Watchous, President