

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: \_\_\_\_\_

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

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

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

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

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

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

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 \_\_\_\_\_

Side Two

Must Be Filed For All Wells

KDOR Lease No.: \_\_\_\_\_

\* Lease Name: \_\_\_\_\_ \* Location: \_\_\_\_\_

Well No.	API No. (YR DRLD/PRE '67)	Footage from Section Line (i.e. FSL = Feet from South Line)		Type of Well (Oil/Gas/INJ/WSW)	Well Status (PROD/TA'D/Abandoned)
		<i>Circle:</i> FSL/FNL	<i>Circle:</i> FEL/FWL		
_____	_____	_____	_____	_____	_____
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_____	_____	_____	_____	_____	_____

A separate sheet may be attached if necessary.

\* When transferring a unit which consists of more than one lease please file a separate side two for each lease. If a lease covers more than one section please indicate which section each well is located.

KANSAS CORPORATION COMMISSION  
OIL & GAS CONSERVATION DIVISION

Form KSONA-1

July 2021

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 (see Chapter 55 of the Kansas Statutes Annotated), 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: \_\_\_\_\_

## **JOINT OPERATING AGREEMENT**

**THIS AGREEMENT**, entered into by and between **SIROKY OIL MANAGEMENT, INC.**, hereinafter designated and referred to as "Operator", and **DESTINY SERVICES, LLC** hereinafter referred to as "Non-Operator."

**WHEREAS**, the Non-Operator is the owner of working interests in oil and gas leases on the land identified in Exhibit "A" attached hereto and the parties hereto have reached an agreement to explore and develop these leases and/or oil and gas interests for the production of oil and gas to the extent and as hereinafter provided,

**NOW, THEREFORE**, it is agreed as follows:

### **ARTICLE I**

#### **DEFINITIONS**

As used in this agreement, the following words and terms shall have the meanings here ascribed to them:

A. The term "oil and gas" shall mean oil, gas, casinghead gas, gas condensate, and all other liquid or gaseous hydrocarbons and other marketable substances produced therewith, unless an intent to limit the inclusiveness of this term is specifically stated.

B. The terms "oil and gas lease", "lease" and "leasehold" shall mean the oil and gas leases covering tracts of land lying within the Contract Area which are owned by the parties to this agreement.

C. The term "Contract Area" shall mean all of the oil and gas leasehold interests intended to be developed and operated for oil and gas purposes under this agreement. Such oil and gas leasehold interests are described in Exhibit A.

D. The term "drilling unit" shall mean the area fixed for the drilling of one well by order or rule of any state or federal body having authority. If a drilling unit is not fixed by any such rule or order, a drilling unit shall be the drilling unit as established by the pattern of drilling in the Contract Area or as fixed by express agreement of the Drilling Parties.

E. The term "drillsite" shall mean the oil and gas lease or interest on which a proposed well is to be located.

F. The terms "Drilling Party" and "Consenting Party" shall mean a party who agrees to join in and pay its share of the cost of any operation conducted under the provisions of this agreement.

G. The terms "Non-Drilling Party" and "Non-Consenting Party" shall mean a party who elects not to participate in a proposed operation.

H. The term "Prospect" shall mean an area within the Contract Area on which the parties own oil and gas leases, which area is geographically defined as possibly containing one or more reservoirs of oil or gas and on which a well is to be drilled in accordance with Exhibit 'A.'

I. The terms "Subject Leases" shall mean any and all oil, gas, or saltwater disposal leases in the Contract Area which are in existence at the time of this Agreement.

Unless the context otherwise clearly indicates, words used in the singular include the plural, the plural includes the singular, and the neuter gender includes the masculine and the feminine.

### **ARTICLE II**

#### **EXHIBITS**

The following exhibits, as indicated below and attached hereto, are incorporated in and



made a part hereof:

- A. Exhibit "A," shall include the following information:
1. Description of lands subject to this agreement,
  2. Restrictions, if any, as to depths, formations, or substances,
  3. Parties to this agreement with addresses and telephone numbers for  
notice purposes,
  4. Percentages or fractional interests of parties to this agreement,
  5. Oil and gas leases and/or oil and gas interests subject to this agreement,  
and
  6. Burdens on production
- B. Exhibit "B," Accounting Procedure.
- C. Exhibit "C," Insurance.

### **ARTICLE III**

#### **INTEREST OF PARTIES**

- A. Interests of Parties in Costs and Production:

Unless explicitly changed by other provisions in this agreement, all costs and liabilities incurred in operations under this agreement shall be borne and paid, and all equipment and materials acquired in operations on the Contract Area shall be owned, by the parties as their interests are set forth in Exhibit A. The parties shall own all production of oil and gas from the Contract Area subject to the payment of royalties to the extent shown in Exhibit A.

- B. Excess Royalties, Overriding Royalties and Other Payments:

Unless explicitly changed by other provisions in this Agreement, if the interest of any party in any lease covered hereby is subject to any royalty, overriding royalty, production payment or other burden on production in excess of the amount stipulated in Exhibit "A" (the "Production Burden") such party so burdened (the "Burdened Party") shall assume and alone bear, pay and discharge the Production Burden and shall indemnify, defend and hold harmless the other parties from and against any liability therefor. Further, if the Burdened Party fails to pay, when due, its share of expenses chargeable hereunder, all provisions of Article VII.B. shall be enforceable against the Production Burden in the same manner as they are enforceable against the working interest of the Burdened Party.

- C. Subsequently Created Interests:

The Non-Operator shall not create or otherwise assign any royalty, overriding royalty, production payment or other burden on production (including, but not limited to, mortgages or security interests) (hereinafter "Subsequently Created Interests") without the express written consent of the Operator. This provision shall be considered a direct consent required for Non-Operator to create or otherwise assign any Subsequently Created Interest which shall be disclosed to any assignee prior to any agreement to assign any Subsequently Created Interest. Should Non-Operator fail to disclose and otherwise obtain Operator consent under this Article III(C) prior to attempting assignment of any Subsequently Created Interest, the Non-Operator shall indemnify, defend and hold harmless from any claims or liability that may result therefrom (including, but not limited to, reasonable attorney fees).

### **ARTICLE IV**

#### **TITLES**

- A. Title Examination:

Title examination shall be made on the drillsite of any proposed well prior to commencement of drilling operations. The opinion will include the ownership of the working interest, minerals, royalty, overriding royalty and production payments under the applicable leases. Operator shall cause title to be examined by outside attorneys. The cost incurred by Operator in procuring abstracts and fees paid outside attorneys for title examination (including preliminary supplemental, shut-in gas royalty opinions and division order title opinions) shall be borne by the Drilling Parties in the proportion that the interest of each Drilling Party bears to the total interest of all Drilling Parties. Operator shall make no charge for services rendered by its

staff attorneys or other personnel in the performance of the above functions. No well shall be drilled on the Contract Area until after the title to the drillsite or drilling unit has been examined as above provided, and the title has been approved by the examining attorney. All losses incurred, by reason of failure of title to any lease, shall be joint losses and shall be borne by all parties in proportion to their interests. There shall be no readjustment of interests in the remaining portion of the Contract Area.

It is explicitly understood and agreed that no title opinion was procured by the Operator for the acquisition of the leases listed in Exhibit "A" and/or the Subject Leases. It is assumed by all parties that the renditions filed for the Subject Leases by the prior operator are a correct reflection of the royalty owners, overriding royalty owners, and their respective interests. The Operator shall not be liable to Non-Operators for any loss that may occur from reliance on said renditions.

## **ARTICLE V**

### **OPERATOR**

#### A. Designation and Responsibilities of Operator:

Operator shall conduct and direct and have full control of all operations on the Contract Area as permitted and required by, and within the limits of this agreement. It shall conduct all such operations in a good and workmanlike manner, but it shall have no liability as Operator to the other parties for losses sustained or liabilities incurred, except such as may result from gross negligence or willful misconduct.

#### B. Resignation or Removal of Operator and Selection of Successor:

1. Resignation or Removal of Operator: Operator may resign at any time by giving written notice thereof to Non-Operators. Operator may be removed if it fails to carry out its duties hereunder, or becomes insolvent, bankrupt or is placed in receivership by the affirmative vote of two (2) or more Non-Operators owning a majority working interest in the Contract Area. Such resignation or removal shall not become effective until 7:00 o'clock A.M. on the first day of the calendar month following the expiration of ninety (90) days after the giving of notice of resignation by Operator or action by the Non-Operators to remove Operator, unless a successor Operator has been selected and assumes the duties of Operator at an earlier date. Operator, after effective date of resignation or removal, shall be bound by the terms hereof as a Non-Operator.

2. Selection of Successor Operator: Upon the resignation or removal of Operator, a successor Operator shall be selected by the parties. The successor Operator shall be selected from the parties owning an interest in the Contract Area at the time such successor Operator is selected. The successor Operator shall be selected by the affirmative vote of two (2) or more parties owning a majority working interest in the Contract Area.

## **ARTICLE VI**

### **DRILLING AND DEVELOPMENT**

#### A. Initial Wells:

It is understood and agreed that the agreement is entered into by the Operator and Non-Operators subsequent to the acquisition of leases and Subject Leases in the Contract Area. The Subject Leases were drilled and completed by prior working interest owners and operators, and this agreement is for the operation of these Subject Leases and any subsequent operations outlined herein.

#### B. Subsequent Operations:

1. Proposed Operations: Should any party hereto desire to drill any well on a Prospect in the Contract Area other than the wells provided for in Article VI.A., or to rework, deepen or plug back a dry hole drilled at the joint expense of all parties or a well jointly owned by all the parties and not then producing in paying quantities, the party desiring to drill, rework, deepen or plug back such a well shall give the other parties written notice of the proposed operation, specifying the work to be performed, the location, proposed depth, objective formation and the estimated cost of the operation. The parties receiving such a notice shall have twenty (20) days after receipt of the notice within which to notify the party wishing to do the work in writing whether they elect to participate in the cost of the proposed operation. Failure of a party receiving such notice to reply within the period above fixed shall constitute an election by that party not to participate in the cost of the proposed operation. If all parties elect to participate in such a proposed operation, Operator shall, within one hundred twenty (120) days after expiration of the notice period of twenty (20) days actually commence the proposed operation and complete it with due diligence at the risk and expense of all parties hereto. If the actual operation has not been commenced within the time period and if any party hereto still desires to conduct said operation, written notice proposing same must be resubmitted to the other parties in accordance with the provisions hereof as if no prior proposal had been made.



2. Operations by Less than All Parties: If any party receiving such notice as provided in Article VI B.1 or VII D.1. elects not to participate in the proposed operation, then in order to be entitled to the benefits of this Article, the party or parties giving the notice and such other parties as shall elect to participate in the operation shall, within one hundred twenty (120) days after the expiration of the notice period of twenty (20) days actually commence the proposed operation and complete it with due diligence. Operator shall perform all work for the account of the Consenting Parties. Consenting Parties, when conducting operations on the Contract Area pursuant to this Article VI B.2., shall comply with all terms and conditions of this agreement.

If less than all parties approve any proposed operation, the proposing party, immediately after the expiration of the applicable notice period, shall advise the Consenting Parties of the total interest of the parties approving such operation and its recommendation as to whether the Consenting Parties should proceed with the operation as proposed. Each Consenting Party, within forty-eight (48) hours after receipt of such notice, shall advise the proposing party of its desire to (a) limit participation to such party's interest as shown in the Exhibit "A" or (b) carry its proportionate part of Non-Consenting Parties' interests, and failure to advise the proposing party shall be deemed an election under (a). The proposing party, at its election, may withdraw such proposal if there is insufficient participation and shall promptly notify all parties of such decision.

The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions they have elected to bear same under the terms of the preceding paragraph. If such an operation results in a dry hole, the Consenting Parties shall plug and abandon the well and restore the surface location at their sole cost, risk and expense. If any well drilled, reworked, deepened or plugged back under the provisions of this Article results in a producer of oil and/or gas in paying quantities, the Consenting Parties shall drill complete and equip the well to produce at their sole cost and risk, and shall be operated by Operator at the expense and for the account of the Consenting Parties. Upon commencement of operations for the drilling, reworking, deepening or plugging back of any such well by Consenting Parties in accordance with the provisions of this Article, each Non-Consenting Party shall be deemed to have relinquished to Consenting Parties, and the Consenting Parties shall own and be entitled to receive, in proportion to their respective interests, all of such Non-Consenting Party's interest in the well and share of production therefrom. The Non-Consenting Parties shall forfeit their entire interest in the oil and gas leases comprising the Prospect in the Contract Area on which the operations were conducted except for the Non-Consenting Parties' interest in the Subject Leases. For purposes of this Agreement a Non-Consenting Party shall retain their leasehold interest in 40 acres for a prior producing oil well and 160 acres for a prior gas well, or the minimum acreage spaced for producing oil and gas wells as designated by State rules. Non-Consenting Parties shall immediately execute and deliver to the Consenting Parties an assignment or their forfeited leasehold interest and in lieu thereof this Operating Agreement and the Affidavit of Operator setting forth the facts regarding any such forfeiture may be used as such assignment and may be relied upon by any purchaser of oil or gas from the forfeited leasehold area.

Consenting Parties shall be responsible for the payment of all production, severance, excise, gathering and other taxes, and all royalty, overriding royalty and other burdens applicable to Non-Consenting Party's shares of production from the forfeited leasehold.

In the case of any reworking, plugging back or deeper drilling operation, the Consenting Parties shall be permitted to use, free of cost, all casing, tubing and other equipment in the well, but the ownership of all such equipment shall remain unchanged; and upon abandonment of a well after such reworking, plugging back or deeper drilling, the Consenting Parties shall account for all such equipment to the owners thereof, with each party receiving its proportionate part in kind or in value, less cost of salvage.

Notwithstanding the provisions of this Article VI B.2., it is agreed that without the mutual consent of all parties, no wells shall be completed in or produced from a source of supply from which a well located elsewhere on the Prospect in the Contract Area is producing, unless such well conforms to the then existing well spacing pattern for such source of supply.

The provisions of this Article shall only apply to any of the Subject Leases only if said well(s) cease to produce in paying quantities.

C. Sale of Production:

Each Non-Operator hereby gives to Operator the right to enter into contracts for the sale of 100% of the oil and gas produced from the Contract Area on such terms and conditions as Operator believes are the best available under the circumstances. Operator shall have the right to receive all payments from sale of production and after deduction of each Non-Operator's share of expenses shall make payment of each Non-Operator's respective share of proceeds to them.

Non-Operator shall remain liable for any deficiencies. Operator or an affiliated company of Operator shall have the first right to purchase oil or gas produced from the Contract Area so long as any such purchases are done in good faith.

D. Access to Contract Area and Information:

Each party shall have access to the Contract Area at all reasonable times, at its sole cost and risk to inspect or observe operations, and shall have access at reasonable times to

information pertaining to the development or operation thereof, including Operator's books and records relating thereto. Operator, shall furnish each of the other parties drilling reports and upon request with copies of all forms or reports filed with governmental agencies, and well logs.

The cost of gathering and furnishing information to Non-Operator, other than that specified above, shall be charged to the Non-Operator that requests the information.

E. Abandonment of Wells:

1. Abandonment of Dry Holes: Any well drilled and completed as a producing well shall not be plugged and abandoned without the consent of all parties. Should Operator, after diligent effort, be unable to contact any party, or should any party fail to reply within ten (10) days after receipt of notice of the proposal to plug and abandon such well, such party shall be deemed to have consented to the proposed abandonment. All such wells shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of the parties who own an interest in such well. Any party who objects to plugging and abandoning such well shall have the right to take over the well and conduct further operations in search of oil and/or gas subject to the provisions of Article VI B.

If, within ten (10) days after receipt of notice of the proposed abandonment of any well, all parties do not agree to the abandonment of such well, those wishing to continue its operation shall tender to each of the other parties its proportionate share of the value of the well's salvable material and equipment, determined in accordance with the provisions of Exhibit "A", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. Each abandoning party shall assign the non-abandoning parties, without warranty, express or implied, as to title or as to quantity, or fitness for use of the equipment and material, all of its interest in the well and related equipment, together with its interest in the leasehold estate as to, but only as to, the lease on which the well is located in the Prospect in the Contract Area at which operations were conducted, except for the abandoning parties interest in other producing wells. For purposes of this Agreement an abandoning party shall forfeit their leasehold interest in 40 acres for an abandoned oil well and 160 acres for an abandoned gas well, or the minimum acreage spaced for producing oil and gas wells as designated by state rules. The assignments or leases so limited shall encompass the "drilling unit" upon which the well is located. The payments by, and the assignments or leases to, the assignees shall be in a ratio based upon the relationship of their respective percentage of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all assignees. There shall be no readjustment of interest in the remaining portion of the Contract Area.

Thereafter, abandoning parties shall have no further responsibility, liability, or interest in the operation of or production from the well. Upon request, Operator shall continue to operate the assigned well for the account of the non-abandoning parties at the rates and charges contemplated by this agreement, plus any additional cost and charges which may arise as the result of the separate ownership of the assigned well.

## ARTICLE VII

### **EXPENDITURES AND LIABILITY OF PARTIES**

A. Liability of Parties:

The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations, and shall be liable only for its proportionate share of the costs of developing and operating the Contract Area. It is not the intention of the parties to create, nor shall this agreement be construed as creating, a mining or other partnership or association, or to render the parties liable as partners.

B. Liens and Payments Defaults:

Each Non-Operator grants to Operator a lien upon its oil and gas leasehold interest in the Contract Area, and a security interest in its share of oil and/or gas when extracted and its interest in all equipment, to secure payment of its share of expense and costs, together with interest thereon at the rate provided in Exhibit "B"(I)(3). Non-Operator grants Operator such security interest under the Uniform Commercial Code of the State of Kansas and Operator shall be entitled to exercise the rights and remedies of a secured party under the Code and Non-Operator agrees to execute and deliver to Operator upon Operator's request all documents deemed reasonably necessary by Operator to perfect such security interest. The bringing of suit and the obtaining of judgment by Operator for the secured indebtedness shall not be deemed an election of remedies or otherwise affect the lien rights or security interest as security for the payment thereof. In addition, upon default by any Non-Operator in the payment of its share of costs and expenses, Operator shall have the right, without prejudice to other rights or remedies, to collect from the purchaser the proceeds from the sale of such Non-Operator's share of oil and/or gas until the amount owed by such Non-Operator, plus interest, has been paid. Each purchaser shall be entitled to rely upon Operator's written statement concerning the amount of any default.

Operator grants a like lien and security interest to the Non-Operators to secure payment of Operator's proportionate share of costs and expenses.

C. Payments and Accounting:



Except as herein otherwise specifically provided, Operator shall promptly pay and discharge costs and expenses incurred in the development and operation of the Contract Area pursuant to this agreement and shall charge each of the parties hereto with their respective proportionate shares upon the expense basis provided in Exhibit "A." Operator shall keep an accurate record of the joint account hereunder, showing costs and expenses incurred and charges and credits made and received.

Operator, at its election, shall have the right from time to time to demand and receive from the other parties payment in advance of their respective shares of the estimated amount of the cost and expense to be incurred in operations hereunder during the next succeeding month, which right may be exercised only by submission to each such party of an itemized statement of such estimated expense, together with an invoice for its share thereof. Each such statement and invoice for the payment in advance of estimated expense shall be submitted on or before the 20th day of the next preceding month. Each party shall pay to Operator its proportionate share of such estimate within fifteen (15) days after such estimate and invoice is received. If any party fails to pay its share of said estimate within said time, the amount due shall bear interest as provided in Exhibit "B"(1)(3) until paid. Proper adjustment shall be made monthly between advances and actual expense to the end that such party shall bear and pay its proportionate share of actual expenses incurred, and no more.

D. Limitation of Expenditure

1. Drill or Deepen: Without the consent of all parties, no well shall be drilled or deepened, except any well drilled or deepened pursuant to the provisions of Article VI of this agreement. Consent to the drilling or deepening shall include all necessary expenditures for the drilling or deepening, testing, completing and equipping of the well, including necessary tankage and/or surface facilities.

2. Rework or Plug Back: Without the consent of all parties, no well shall be reworked or plugged back except a well reworked or plugged back pursuant to the provisions of Article VI of this agreement. Consent to the reworking or plugging back of a well shall include all necessary expenditures in conducting such operations and completing and equipping of said well, including necessary tankage and/or surface facilities.

3. Other Operations: Without the consent of all parties, Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of Ten thousand dollars (\$10,000.00) except in connection with a well, the drilling, reworking, deepening, completing, re-completing, or plugging back of which has been previously authorized by or pursuant to this agreement; provided, however, that, in case of explosion, fire, flood or other sudden emergency, whether of the same or different nature, Operator may take such steps and incur such expenses as in its opinion are required to deal with the emergency to safeguard life and property but Operator, as promptly as possible, shall report the emergency to the other parties.

E. Rentals, Shut-in Well Payments and Minimum Royalties:

Rentals, shut-in well payments and minimum royalties which may be required under the terms of any lease shall be paid by the Operator unless otherwise agreed.

In the event of failure to make proper payment of any rental, shut-in well payment or minimum royalty through mistake or oversight where such payment is required to continue the lease in force, any loss which results from such non-payment shall be borne in accordance with the ownership interests reflected on Exhibit "A" and Operator shall not be liable to Non-Operators for any such loss.

F. Taxes:

Beginning with the first calendar year after the effective date hereof, Operator shall render for ad valorem taxation all property subject to this agreement which by law should be rendered for such taxes, and it shall pay all such taxes assessed thereon before they become delinquent. If the ad valorem taxes are based in whole or in part upon separate valuations of each party's working interest, then notwithstanding anything to the contrary herein, charges to the joint account shall be made and paid by the parties hereto in accordance with the tax value generated by each party's working interest. Operator shall bill the other parties for their proportionate shares of all tax payments in the manner provided in Exhibit "B."

If Operator considers any tax assessment improper, Operator may, at its discretion, protest within the time and manner prescribed by law, and prosecute the protest to a final determination, unless all parties agree to abandon the protest prior to final determination. During the pendency of administrative or judicial proceedings, Operator may elect to pay, under protest, all such taxes and any interest and penalty. When any such protested assessment shall have been finally determined, Operator shall pay the tax for the joint account, together with any interest and penalty accrued, and the total cost shall then be assessed against the parties, and be paid by them, as provided in Exhibit "A."

Each party shall pay or cause to be paid all production, severance, excise gathering and

other taxes imposed upon or with respect to the production or handling of such party's share of oil and/or gas produced under the terms of this agreement.

G. Insurance:

At all times while operations are conducted hereunder, Operator shall carry or provide insurance for the benefit of the joint account of the parties as outlined in Exhibit "C." Operator shall require all contractors engaged in work on or for the Contract Area to carry such additional insurance as Operator deems advisable.

**ARTICLE VIII**

**ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST**

A. Surrender of Leases:

The leases covered by this agreement, insofar as they embrace acreage in the Contract Area, shall not be surrendered in whole or in part unless all parties consent thereto. However, should any party desire to surrender its interest in any lease or in any portion thereof, and the other parties do not agree or consent thereto, the party desiring to surrender shall assign, without express or implied warranty of title, all of its interest in such lease, or portion thereof, and any well, material and equipment which may be located thereon and any rights in production thereafter secured, to the parties not consenting to such surrender. Upon such assignment or lease, the assigning party shall be relieved from all obligations thereafter accruing, but not theretofore accrued, with respect to the interest assigned or leased and the operation of any well attributable thereto, and the assigning party shall have no further interest in the assigned or leased premises and its equipment and production. The party assignee or lessee shall pay to the party assignor or lessor the reasonable salvage value of the latter's interest in any wells and equipment attributable to the assigned or leased acreage. The value of all material shall be determined in accordance with the provisions of Exhibit "B", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. If the assignment or lease is in favor of more than one party, the interest shall be shared by such parties in the proportions that the interest of each bears to the total interest of all such parties.

Any assignment, lease or surrender made under this provision shall not reduce or change the assignor's, lessor's or surrendering party's interest as it was immediately before the assignment, lease or surrender in the balance of the Contract Area, if any; and the acreage assigned, leased or surrendered, and subsequent operations thereon, shall not thereafter be subject to the terms and provisions of this agreement.

B. Renewal or Extension of Leases:

If any party secures a renewal of any oil and gas lease subject to this agreement, all other parties shall be notified promptly, and shall have the right for a period of ten (10) days following receipt of such notice in which to elect to participate in the ownership of the renewal lease, insofar as such lease affects lands within the Contract Area, by paying to the party who acquired it their several proper proportionate shares of the acquisition cost allocated to that part of such lease within the Contract Area, which shall be in proportion to the interests held at that time by the parties in the Contract Area. If some, but less than all, of the parties elect to participate in the purchase of a renewal lease, it shall be owned by the parties who elect to participate therein, in a ratio based upon the relationship of their respective percentage of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all parties participating in the purchase of such renewal lease. Any renewal lease in which less than all parties elect to participate shall not be subject to this agreement. Each party who participates in the purchase of a renewal lease shall be given an assignment of its proportionate interest therein by the acquiring party within ten (10) days of tendering their proportionate share of the acquisition cost to the party who acquired the renewal lease.

The provisions of this Article shall apply to the entirety of any renewal leases whether they are for the entire interest covered by the expiring lease or cover only a portion of its areas or an interest therein. Any renewal lease taken before the expiration of its predecessor lease, or taken or contracted for within six (6) months after the expiration of the existing lease shall be subject to this provision; but any lease taken or contracted for more than six (6) months after the expiration of an existing lease shall not be deemed a renewal lease and shall not be subject to the provisions of this agreement. The provisions in this Article shall also be applicable to extensions of oil and gas leases.

C. Maintenance of Uniform Interest:

For the purpose of maintaining uniformity of ownership in the oil and gas leasehold interests covered by this agreement, no party shall sell, encumber, transfer or make other disposition of its interest in the leases embraced within the Contract Area and in wells, equipment and production unless such disposition covers either:

1. The entire interest of the party in all leases and equipment and production; or
2. An equal undivided interest in all leases and equipment and production in the



Every such sale, encumbrance, transfer or other disposition made by any party shall be made expressly subject to this agreement and shall be made without prejudice to the right of the other parties, any transferee of an ownership interest in any Oil and Gas Lease or Interest shall be deemed a party to this agreement as to the interest conveyed from and after the effective date of the transfer of ownership; provided, however, that the other parties shall not be required to recognize any such sale, encumbrance, transfer or other disposition for any purpose hereunder until thirty (30) days after they have received a copy of the instrument of transfer or other satisfactory evidence thereof in writing from the transferor or transferee. No assignment or other disposition of interest by a party shall relieve such party of obligations previously incurred by such party hereunder with respect to the interest transferred, including without limitation the obligation of a party to pay all costs attributable to an operation conducted hereunder in which such party has agreed to participate prior to making such assignment, and the lien and security interest granted by this agreement shall continue to burden the interest transferred to secure payment of any such obligations

D. Waiver of Rights to Partition:

If permitted by the laws of the state or states in which the property covered hereby is located, each party hereto owning an undivided interest in the Contract Area waives any and all rights it may have to partition and have set aside to it in severalty its undivided interest therein.

E. Preferential Right to Purchase:

Should any party desire to sell all or any part of its interests under this agreement, or its rights and interests in the Contract Area, it shall promptly give written notice to the Operator, with full information concerning its proposed sale, which shall include the name and address of the prospective purchase (who must be ready, willing and able to purchase), the purchase price, and all other terms of the offer. The Operator shall then have an optional prior right, for a period of ten (10) days after receipt of the notice, to purchase on the same terms and conditions the interest which the other party proposes to sell.

#### **ARTICLE IX**

#### **TAX ELECTION**

The parties hereto elect treatment for tax purposes as indicated below:

Option 1. This agreement is not intended to create, and shall not be construed to create, a relationship of partnership or an association for profit between or among the parties hereto. Notwithstanding any provision herein that the rights and liabilities hereunder are several and not joint or collective, or that this agreement and operations hereunder shall not constitute a partnership, if, for federal income tax purposes, this agreement and the operations hereunder are regarded as a partnership, each party hereby affected elects to be excluded from the application of all of the provisions of Subchapter "K", Chapter 1, Subtitle "A", of the Internal Revenue Code of 1954, as permitted and authorized by Section 761 of the Code and the regulations promulgated thereunder. Operator is authorized and directed to execute on behalf of each party hereby affected such evidence of this election as may be required by the Secretary of the Treasury of the United States or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and the data required by Federal Regulations 1.761. In making the foregoing election, each such party states that the income derived by such party from operations hereunder can be adequately determined without the computation of partnership taxable income.

Option 2. The parties hereto agree to be bound by the terms and conditions of the Tax Partnership Agreement attached hereto as Exhibit "C". Notwithstanding the execution by Operator of the Tax Partnership Agreement, Operator makes no representations or warranties of any kind whatsoever with respect to the tax consequences to Participant of Participants execution of this agreement.

#### **ARTICLE X**

#### **CLAIMS AND LAWSUITS**

Operator may settle any single uninsured third party damage claim or suit arising from operations hereunder if the expenditure does not exceed Twenty-five thousand dollars (\$25,000.00) and if the payment is in complete settlement of such claim or suit. If the amount required for settlement exceeds the above amount, the parties hereto shall assume and take over the further handling of the claim or suit, unless such authority is delegated to Operator. All costs and expenses of handling, settling, or otherwise discharging such claim or suit shall be at the joint expense of the parties participating in the operation from which the claim or suit arises. If a claim is made against any party or if any party is sued on account of any matter arising from operations hereunder over which such individual has no control because of the rights given Operator by this agreement, such party shall immediately notify all other parties, and the claim or suit shall be treated as any other claim or suit involving operations hereunder.

## **ARTICLE XI**

### **FORCE MAJEURE**

If any party is rendered unable, wholly or in part, by force majeure to carry out its obligations under this agreement, other than the obligation to make money payments, that party shall give to all other parties prompt written notice of the force majeure with reasonable full particulars concerning it; thereupon, the obligations of the party giving the notice, so far as they are affected by the force majeure, shall be suspended during, but no longer than, the continuance of the force majeure. The affected party shall use all reasonable diligence to remove the force majeure situation as quickly as practicable.

The requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes, lockouts, or other labor difficulty by the party involved, contrary to its wishes; how all such difficulties shall be handled shall be entirely within the discretion of the party concerned.

The term "force majeure", as here employed, shall mean an act of God, strike, lockout, or other industrial disturbance, act of the public enemy, war, blockade, public riot, lightning, fire, storm, flood, explosion, governmental action, governmental delay, restraint or inaction, unavailability of equipment, and any other cause, whether of the kind specifically enumerated above or otherwise, which is not reasonably within the control of the party claiming suspension.

## **ARTICLE XII**

### **NOTICES**

All notices authorized or required between the parties and required by any of the provisions of this agreement, unless otherwise specifically provided, shall be given in writing by mail, postage or charges prepaid, or by fax or email and addressed to the parties to whom the notice is given at the address listed on the signatory page hereto. The originating notice given under any provision hereof shall be deemed given only when received by the party to whom such notice is directed, and the time for such party to give any notice in response thereto shall run from the date the originating notice is received. The second or any responsive notice shall be deemed given when deposited in the mail, with postage or charges prepaid, or sent by fax or email. Each party shall have the right to change its address at any time, and from time to time, by giving written notice thereof to all other parties.

## **ARTICLE XIII**

### **TERM OF AGREEMENT**

This agreement shall remain in full force and effect as to the oil and gas leases subject hereto for so long as any oil and gas leases subject to this agreement remain or are continued in force as to any part on the Contract Area, whether by production, extension, renewal or otherwise. It is agreed, however, that the termination of this agreement shall not relieve any party hereto from any liability which has accrued or attached prior to the date of such termination.

## **ARTICLE XIV**

### **COMPLIANCE WITH LAWS AND REGULATIONS**

#### **A. Laws, Regulations and Orders:**

1. This agreement shall be subject to the conservation laws of the state in which the Contract Area is located, to the valid rules, regulations, and orders of any duly constituted regulatory body of said state; and to all other applicable federal, state, and local laws, ordinances, rules, regulations, and orders.

2. Non-Operator hereby warrants and covenants that, as of the date of this Agreement, all leases within the Contract Area are in compliance with applicable federal, state, and local laws, ordinances, rules, regulations, and orders, and further covenants as follows:

- a. There are no claims, actions, suits, investigations, or other legal proceedings (collectively, "Actions") pending or threatened against or by Non-Operator relating to or affecting the Contract Area or the Subject Leases (including, but not limited to, Environmental Laws).
- b. There are no outstanding Governmental Orders against, relating to, or affecting the Contract Area or the Subject Leases.
- c. There are no outstanding ad valorem, real property taxes due and owing on any lease in the Contract Area or otherwise relating to the Subject Leases.
- d. For purposes of this Agreement:

(i) "**Environmental Law**" means any applicable Law, and any Governmental Order or binding agreement with any Governmental Authority: (A) relating to pollution (or the cleanup thereof) or the protection of natural resources, endangered or threatened species, human health or safety, or the environment (including ambient or indoor air, soil, surface water or groundwater, or subsurface strata); or (B) concerning the presence of, exposure to, or the management, manufacture, use, containment, storage, recycling, reclamation, reuse, treatment, generation, discharge, transportation, processing, production, disposal, or remediation of any Hazardous Materials.

3. Non-Operator shall indemnify, defend and hold harmless from any claims or liability that may result to the Operator relating to any covenant contained in this Article XIV(A) (including, but not limited to, reasonable attorney fees).

B. Governing Law:

This agreement and all matters pertaining hereto, including, but not limited to, matters of performance, non-performance, breach, remedies, procedures, rights, duties, and interpretation or construction, shall be governed and determined by the law of the State of Kansas.

C. Authority of Operator:

Non-Operator hereby authorizes and empowers Operator to act for and on behalf of Non-Operator in the filing of Affidavits of Production, Declarations of Consolidation and/or Unitization, and Common Tank Battery Agreements deemed necessary by Operator to protect and perpetuate Operator and Non-Operator's interest in the Contract Area covered by this Operating Agreement. Non-Operator further authorizes and empowers Operator to enter into contracts for and on behalf of Non-Operator for the sale of Non-Operator's share of oil, gas or casinghead gas produced from wells on the Contract Area, such contracts to be on the best terms Operator is able to negotiate. Operator is further empowered on behalf of Non-Operator to do all things necessary to comply with federal and state laws and regulations governing the operations on and production from the Contract Area, including but not limited to spacing and pro-ration applications, consolidation and pooling applications.

With respect to operations hereunder, Non-Operators agree to release Operator from any and all losses, damages, injuries, claims and causes of action arising out of, incident to or resulting directly or indirectly from Operator's interpretation or application of rules, rulings, regulations or orders of any federal or state agencies to the extent such interpretation or application was made in good faith. Each Non-Operator further agrees to reimburse Operator for any amounts applicable to such Non-Operator's share of production that Operator may be required to refund, rebate or pay as a result of such an incorrect interpretation or application, together with interest and penalties thereon owing by Operator as a result of such incorrect interpretations or application.

D. Disputes and Arbitration:

In the event of a dispute between any party to this Agreement arising out of this Agreement which is not mutually resolved, the parties shall submit the dispute to binding arbitration pursuant to the Uniform Arbitration Act of Kansas, K.S.A. 5-401 *et seq.* To initiate arbitration, either party shall notify the other in writing of the specific issues in dispute and the parties shall then have twenty (20) days to mutually agree on an arbitrator. If the parties are unable to agree on an arbitrator, the arbitrator shall be selected by the Judge of the District Court of Pratt County, Kansas, upon written application of the parties. The arbitration hearing will take place at Pratt, Kansas. The arbitration award or decision shall be binding on the parties. This Agreement is governed by and shall be interpreted in accordance of the laws of the State of Kansas and any arbitration award or decision in favor of either Consultant or Client may be entered as a judgment in the District Court of Pratt County, Kansas, or other Court of competent jurisdiction.

**ARTICLE XV**

**OTHER PROVISIONS**

This agreement may be executed in one or more counterparts, each of which shall constitute an original but when taken together including counterpart signature pages signed separately but by all parties in total, shall be deemed one instrument. The same may also be executed by telecopy or fax to be followed by hard copy. Execution by telecopy or fax shall be effective as of the time the telecopy or fax is received by the other party.

**ARTICLE XVI**

**MISCELLANEOUS**

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, executors, administrators, successors and assigns.

“OPERATOR”

SIROKY OIL MANAGEMENT, INC.

BY: [Signature]

Brian Siroky, President

Date executed: 5-16-23

“NON-OPERATOR”

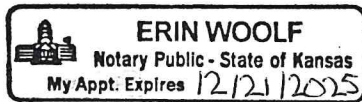
DESTINY SERVICES, INC.

Edgar E. Sanchez

Edgar E. Sanchez, Member-Manager

Date Executed: 5-16-23

STATE OF Kansas )  
 ) ss:  
COUNTY OF Pratt )



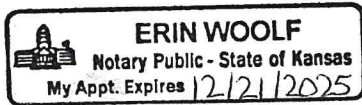
BE IT REMEMBERED that on this 16<sup>th</sup> day of May, 2023, before me, the undersigned, a Notary Public, in and for the County and State aforesaid, came Edgar E. Sanchez, Member of Destiny Services, LLC., a limited liability company of the State of Kansas, the same person who executed as such officer the foregoing instrument of writing in behalf of said corporation, and he duly acknowledged the execution of the same for himself and for said corporation for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal, the day and year last above written.

[Signature]  
Notary Public

My Commission Expires: 12/21/2025

STATE OF Kansas )  
 ) ss:  
COUNTY OF Pratt )



BE IT REMEMBERED that on this 16<sup>th</sup> day of May, 2023, before me, the undersigned, a Notary Public, in and for the County and State aforesaid, came Brian Siroky, President of Siroky Oil Management, Inc., a limited liability company of the State of Kansas, the same person who executed as such officer the foregoing instrument of writing in behalf of said corporation, and he duly acknowledged the execution of the same for himself and for said corporation for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal, the day and year last above written.

[Signature]  
Notary Public

My Commission Expires: 12/21/2025

- I. Contract Area
- II. Oil and Gas Leases Subject to Operating Agreement
- III. Depths/Formations Subject to Agreement
- IV. Working Interest Percentages of the Parties and Burdens on Production
- V. Party Contact Information for Notice Purposes

## **EXHIBIT "B"**

### **ACCOUNTING PROCEDURE**

#### **JOINT OPERATIONS**

##### **I. GENERAL PROVISIONS**

###### **1. Definitions**

"Joint Property" shall mean the real and personal property subject to the agreement to which this Accounting Procedure is attached.

"Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and maintenance of the Joint Property.

"Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint Operations and which are to be shared by the Parties.

"Operator" shall mean the party designated to conduct the Joint Operations.

"Non-Operators" shall mean the parties to this agreement other than the Operator.

"Parties" shall mean Operator and Non-Operators.



"First Level Field Supervisors" shall mean those employees whose primary function in Joint Operations is the direct supervision of other employees and/or contract labor directly employed on the Joint Property in a field operating capacity.

"Technical Employees" shall mean those employees having special and specific engineering, geological or other professional skills, and whose primary function in Joint Operations is the handling of specific operating conditions and problems for the benefit of the Joint Property.

"Personal Expenses" shall mean travel and other reasonable reimbursable expenses of Operator's employees.

"Material" shall mean personal property, equipment or supplies acquired or held for use on the Joint Property.

2. Statement and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of the Joint Account for the preceding month. Such bills will be accompanied by statements which identify the lease, and all charges and credits, summarized by appropriate classifications of investment and expense, shall be separately identified and described.

3. Advances and Payments by Non-Operators

Unless otherwise provided for in the agreement, the Operator may require the Non-Operators to advance their share of estimated cash outlay for the succeeding month's operation. Operator shall adjust each monthly billing to reflect advances received from the Non-Operators.

Each Non-Operator shall pay its proportion of all bills within fifteen (15) days after receipt. If payment is not made within 30 days the unpaid balance shall bear interest monthly at the rate of eighteen percent (18%) per annum or the maximum contract rate permitted by the applicable usury laws in the state in which the Joint Property is located, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts.

4. Adjustments

Payment of any such bills shall not prejudice the right of any Non-Operator to protest or question the correctness thereof; provided, however, all bills and statements rendered to Non-Operators by Operators during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same prescribed period.

5. Audits

A Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the Joint Account for any calendar year within the twenty-four (24) month period following the end of such calendar year; provided, however, the making of an audit shall not extend the time for the taking of written exception to and the adjustments of accounts as provided for in Paragraph 4 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct joint or simultaneous audits in a manner which will result in a minimum of inconvenience to the Operator. Operator shall bear no portion of the Non-Operators' audit cost incurred under this paragraph unless agreed to by the Operator.

6. Approval by Non-Operators

Where an approval or other agreement of the Parties or Non-Operators is expressly required under other sections of this Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, Operator shall notify all Non-Operators of the Operator's proposal, and the agreement or approval of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

## II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:



1. Rentals and Royalties

Lease rentals and royalties paid by Operator for the Joint Operations.

2. Labor

For direct services performed on the Joint Property by roustabouts, First Level Field Supervisors and Technical Employees of the Operator, such services to be charge to the Joint Account at the customary rate plus Personal Expenses for similar services in the area.

3. Material

Material purchased or furnished by Operator for use on the Joint Property as provided under Section IV. Only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use and is reasonably practical and consistent with efficient and economical operations. The accumulation of surplus stocks shall be avoided.

4. Transportation

Transportation of Labor, Services, and Material necessary for the Joint Operations.

5. Services

The cost of contract services, equipment and utilities provided by outside sources. The cost of professional consultant services and contract services of technical personnel directly engaged on the Joint Property.

The cost of professional consultant services or contract services of technical personnel not directly engaged on the Joint Property shall not be charged to the Joint Account unless previously agreed to by the Parties.

6. Equipment and Facilities Furnished by Operator

Operator shall charge the Joint Account for use of Operator owned equipment and facilities at the customary rates in the area.

7. Damages and Losses to Joint Property

All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or other cause, except those resulting from Operator's gross negligence or willful misconduct. Operator shall furnish Non-Operator written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

8. Legal Expense

Expense of title clearance, handling, investigating and settling litigation or claims, administrative and regulatory proceedings, discharging of liens, payment of judgments and amounts paid for settlement of claims incurred in or resulting from operations under the agreement or necessary to protect or recover the Joint Property.

9. Taxes

All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties.

10. Insurance

Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties.

11. Other Expenditures

Any other expenditure not covered or dealt with in the provisions of this Section II, or in Section III, and which is incurred by the Operator in the necessary and proper conduct of the Joint Operations.

### **III. OVERHEAD**

#### **1. Overhead - Drilling and Producing Operations**

As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on a fixed rate basis for drilling, completing and producing wells in the amounts indicated below.

##### Overhead - Fixed Rate Basis

- (1) Operator shall charge the Joint Account at the following rates per producing well per month:

First Producing Well \$350.00

Each Subsequent Producing Well Per Lease \$350.00

- (2) Operator shall charge a \$5,000.00/well supervision fee for the drilling or rework of any well on any Prospect.
- (3) Operator shall charge a well supervision fee for the completion and equipping of any well drilled in an amount equal to 10% of the total actual cost, not to exceed the estimated Authorization for Expenditures.

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 2, Section II.

#### **2. Amendment of Rates**

The Overhead rates provided for in this Section III may be amended from time to time only by mutual agreement between the Parties hereto if, in practice, the rates are found to be insufficient or excessive.

### **IV. PRICING OF JOINT ACCOUNT MATERIAL PURCHASES, TRANSFERS AND DISPOSITIONS**

Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for all Material movements affecting the Joint Property. Operator shall provide all Material for use on the Joint Property. Operator shall make timely disposition of idle and/or surplus Material, such disposal being made either through sale to Operator or sale to outsiders.

#### **1. Purchases**

Material purchased shall be charged at the price paid by Operator after deduction of all discounts received. In case of Material found to be defective or returned to vendor for any other reason, credit shall be passed to the Joint Account when adjustment has been received by the Operator.

#### **2. Transfers and Dispositions**

Material furnished to the Joint Property and Material transferred from the Joint Property shall be priced on the following bases exclusive of cash discounts:

##### **A. New Material (Condition A)**

At the average weighted cost, based upon actual invoice cost, including related

taxes and transportation charges, paid by the Operator, of such New Material carried in inventory by the Operator.

B. New Used Material (Condition B+)

Material in sound and serviceable condition and suitable for reuse without reconditioning which is transferred from the Joint Property, or to the Joint Property from another property operated by the Operator, within one year of the material initially being transferred from the Operator's inventory as New Material (Condition A).

(1) Material moved from the Joint Property

At ninety percent (90%) of the Operator's current average weighted cost of Condition A inventory, or if Operator has no current Condition A inventory of the same Material, at ninety percent (90%) of current new price.

(2) Material moved to the Joint Property

At the average weighted cost of such Condition B+ Material carried in inventory by the Operator.

The cost of reconditioning, if any, testing, and transportation from the Joint Property to the Operator's inventory shall be added to the average weighted cost of the Operator's inventory.

C. Good Used Material (Condition B)

Material in sound and serviceable condition and suitable for reuse without reconditioning.

(1) Material moved from the Joint Property

At seventy-five percent (75%) of the Operator's current average weighted cost of Condition A inventory, or if Operator has no current Condition A property of the same Material, at seventy-five percent (75%) of current new price.

(2) Material moved to the Joint Property

At the average weighted cost of such Condition B Material carried in inventory by the Operator.

The cost of reconditioning, if any, testing, and transportation from the Joint Property to the Operator's inventory shall be added to the average weighted cost of the Operator's inventory.

D. Other Used Material (Condition C and D)

(1) Condition C

Material which is not in sound and serviceable condition and not suitable for its original function until after substantial reconditioning.

(a) Material moved from the Joint Property

At fifty percent (50%) of the Operator's current average weighted cost of Condition A inventory, or if Operator has no current Condition A inventory of the same Material, at fifty percent (50%) of current new price.

(b) Material moved to the Joint Property

At the average weighted cost of such Condition C Material carried in inventory by the Operator.

The cost of reconditioning, testing, and transportation from the Joint Property to the Operator's inventory shall be added to the average weighted cost of the Operator's inventory.

(2) Condition D

All other Material, including junk, no longer suitable for its original purpose but usable for some other purpose, shall be priced at a value commensurate with its use or at prevailing prices. Operator may dispose of Condition D Material under procedures normally utilized by the Operator without prior approval of Non-Operators.

E. Obsolete Material

Material which is serviceable and usable for its original function but condition and/or value of such Material is not equivalent to that which would justify a price as provided above may be specially priced as agreed to by the Parties. Such price should result in the Joint Account being charged with the value of the service rendered by such Material.

3. Warranty of Material Furnished by Operator

Operator does not warrant the Material furnished. In case of defective Material, credit shall not be passed to the Joint Account until adjustment has been received by Operator from the manufacturers or their agents.

**EXHIBIT "C"**

**INSURANCE**

Operator shall carry and charge to the joint account insurance as follows:

- (A) Worker's Compensation insurance in accordance with the laws of the State of Kansas and Employer's Liability in the amount required by law.
- (B) Automobile Liability insurance with a minimum combined single limit for bodily injury and property damage of \$1,000,000 each occurrence.
- (C) Comprehensive General Liability
  - Bodily Injury            \$1,000,000 per occurrence
  - \$2,000,000 aggregate

With the following coverages:

- Broad Form Commercial General Liability Endorsement
- Underground Resources and Equipment Coverage
- Blowout and Cratering Coverage
- Explosion Coverage

All losses not covered by policies of insurance for the above coverage shall be joint losses, and shall be borne by the parties as their interests appear at the time of the occurrence.

Operator shall not be required to provide fire, explosion, windstorm or other property hazard insurance on oil in storage and all losses from these causes will be joint losses, and shall be born by the parties as their interests appear at the time of the occurrence.

It is understood that Operator does not warrant the financial responsibility of its insurance carrier, and except for willful negligence, Operator shall not be liable to Non-Operators for any loss resulting from insufficiency of the insurance carried, or of the insurer with whom carried. It is further understood that Operator shall not be liable to Non-Operators for any loss accruing by reason of Operator's inability to obtain or maintain the above insurance, but Operator shall notify

Non-Operators in writing if it is unable to obtain or maintain such insurance.



SCHEDULE OF LEASES

Campbell (7-1513846)  
GWI: 100%  
NRI: 87.5%

LEASE/FILE NUMBER: 6-1533417/1533417  
DATE OF LEASE: May 25, 1946  
LESSOR: Guy Campbell, et ux  
LESSEE: W. B. Guyer  
RECORDING DATA: Book 57, Page 233 of the Records of Kingman  
County, Kansas

DESCRIPTION: Township 29 South, Range 7 West  
Section 27: Southwest Quarter (SW/4)

Graber (7-1533994)  
GWI: 100%  
NRI: 87.5%

LEASE/FILE NUMBER: 6-1549129/1533469  
DATE OF LEASE: October 1, 1947  
LESSOR: Jesse York  
LESSEE: W. B. Guyer  
RECORDING DATA: Book 59, Page 481 of the Records of Kingman  
County, Kansas

DESCRIPTION: Township 29 South, Range 7 West  
Section 26: Northwest Quarter (NW/4)

LEASE/FILE NUMBER: 6-1582121/1533469  
DATE OF LEASE: February 18, 1957  
LESSOR: Donald Bett, et al  
LESSEE: Drillers Production Co., Inc.  
RECORDING DATA: Book 79, Page 101 of the Records of Kingman  
County, Kansas

DESCRIPTION: Township 29 South, Range 7 West  
Section 26: Northwest Quarter (NW/4) and the  
West Half of the Northeast Quarter (W/2 NE/4)





**Handkins A (7-1537214)**

GW: 100%  
NRI: 87.5%

LEASE/FILE NUMBER: 6-1549123/1533421  
DATE OF LEASE: February 17, 1956  
LESSOR: Earl C. Handkins, et ux  
LESSEE: Elmer M. Oak  
RECORDING DATA: Book 75, Page 82 of the Records of Kingman County, Kansas

DESCRIPTION: Township 29 South, Range 7 West

Section 28: Northeast Quarter (NE/4), EXCEPT a tract of land described as following: Beginning at the Northwest corner (NW/C) of the Northeast Quarter of the Northeast Quarter (NE/4 NE/4) of Section 28-T29S-R7W, thence West along the North line of said section a distance of 5 rods; thence South at right angles 16 rods, thence East at right angles 15 rods; thence North at right angles 16 rods, thence West along North line 10 rods to the place of beginning.

**Sloan B (7-1582432)**

GW: 100%  
NRI: 87.5%

LEASE/FILE NUMBER: 6-1549130/1533532  
DATE OF LEASE: December 14, 1955  
LESSOR: Rebecca Sloan  
LESSEE: Elmer M. Oak  
RECORDING DATA: Book 74, Page 127 of the Records of Kingman County, Kansas

DESCRIPTION: Township 29 South, Range 7 West

Section 28: Southeast Quarter (SE/4)

LEASE/FILE NUMBER: 6-1549131/1533532  
DATE OF LEASE: November 8, 1956  
LESSOR: Elizabeth Sillox Harl  
LESSEE: Elmer M. Oak  
RECORDING DATA: Book 77, Page 294 of the Records of Kingman County, Kansas

DESCRIPTION: Township 29 South, Range 7 West

Section 28: Southeast Quarter (SE/4)

A

Voran A (7-1590942)  
GWI: 100%  
NRI: 87.5%

Voran G (7-1591236)  
GWI: 100%  
NRI: 76.5625%

LEASE/FILE NUMBER: 6-1539364/1539364  
DATE OF LEASE: November 9, 1945  
LESSOR: Henry W. Voran  
LESSEE: Elmer M. Oak  
RECORDING DATA: Book 56, Page 409 of the Records of Kingman  
County, Kansas

DESCRIPTION: Township 29 South, Range 7 West

Section 27: East 100 acres of the Northwest  
Quarter (NW/4); and the Northeast Quarter  
(NE/4)

Voran C (7-1591172)  
Voran H (7-1591126)  
GWI: 100%  
NRI: 87.5%

LEASE/FILE NUMBER: 6-1549121/1533416  
DATE OF LEASE: December 22, 1955  
LESSOR: H. W. Voran  
LESSEE: Elmer M. Oak  
RECORDING DATA: Book 74, Page 115 of the Records of Kingman  
County, Kansas

DESCRIPTION: Township 29 South, Range 7 West

Section 27: Southeast Quarter (SE/4)

Voran D (7-1591218)  
GWI: 100%  
NRI: 87.5%

LEASE/FILE NUMBER: 6-1540520/1540520  
DATE OF LEASE: November 15, 1957  
LESSOR: Hunt Cemetery Association  
LESSEE: Elmer M. Oak  
RECORDING DATA: Book 81, Page 199 of the Records of Kingman  
County, Kansas

DESCRIPTION: Township 29 South, Range 7 West

Section 23: Beginning at a point on the North  
line of the Southwest Quarter of the Southwest  
Quarter (SW/4 SW/4), running South 474 feet,  
parallel with said section line; thence East  
parallel with south line of said section 273 feet;  
thence North parallel with West line of said  
section 474 feet; thence West on North line of  
said Southwest Quarter of the Southwest  
Quarter (SW/4 SW/4) 273 feet to the place of  
beginning.



Voran D (7-1591218) Cont.  
GWI: 100%  
NRI: 87.5%

LEASE/FILE NUMBER: 6-1549116/1533022  
DATE OF LEASE: December 20, 1954  
LESSOR: Henry W. Voran  
LESSEE: Elmer M. Oak  
RECORDING DATA: Book 70, Page 24 of the Records of Kingman  
County, Kansas

DESCRIPTION: Township 29 South, Range 7 West  
Section 23: West Half (W/2)

SUBJECT TO DECLARATION FOR UNITIZED OPERATIONS DATED SEPTEMBER 1,  
1960, COVERING OIL RIGHTS IN THE SOUTHWEST QUARTER OF THE  
SOUTHWEST QUARTER (SW/4 SW/4) OF SECTION 23-T29S-7W, KINGMAN  
COUNTY, KANSAS, RECORDED BOOK 95, PAGE 292.



Young D (7-1597382)  
GWI: 100%  
NRI: 87.5%

LEASE/FILE NUMBER: 6-1549122/1533418  
DATE OF LEASE: December 20, 1955  
LESSOR: Clay A. Young, et ux  
LESSEE: Elmer M. Oak  
RECORDING DATA: Book 74, Page 134 of the Records of Kingman  
County, Kansas

DESCRIPTION: Township 29 South, Range 7 West  
Section 26: East Half of the Northeast Quarter  
(F/2 NF/4)