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KANSAS CORPORATION COMMISSION

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CONSERVATION DIVISION
WICHITA, KS

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Kansas Corporation Commission
/S/ Patrice Petersen-Klein

THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of an Order to Show Cause on the)
Commission's won Motion issued TSCH, LLC,)
Gary and Kayla Bridwell dba Black Rain Energy,)
and John M. Denman Oil Co., Inc., with regard to)
responsibility under K.S.A. 55-179 for plugging)
the M. A. Alexander lease in the East Half of the)
Northwest Quarter and the West Half of the North-)
east Quarter of Section 31, Township 34 South,)
Range 12 East, Chautauqua County, Kansas.)
_____)

Docket No. 11-CONS-253-CSHO

CONSERVATION DIVISION

License No. 34407

License No. 30916

License No. 5729

PREFILED TESTIMONY

OF

WAYNE BRIGHT

JOHN M. DENMAN OIL CO., INC.

1 Q. Please state your name and address for the record.

2 A. Wayne Bright, 202 S. Chautauqua, P. O. Box 36, Sedan, Kansas 67361-1605

3 Q. By whom are you employed and in what capacity?

4 A. I am employed by John M. Denman Oil Co., Inc. ("Denman") as a consultant.

5 Q. How long have you worked for Denman?

6 A. Approximately seven years

7 Q. What are your duties as a consultant for Denman?

8 A. I provide professional services with regard to oil and gas well development, and

9 management of day-to-day operations. I am authorized to act for Denman in connection

10 with those operations, and to testify for Denman in these proceedings.

11 Q. Have you previously testified before the Kansas Corporation Commission?

12 A. No.

13 Q. Are you familiar with the matters before the Commission in this docket?

14 A. Yes.

15 Q. What is Denman's relationship to the M. A. Alexander Lease?

16 A. Denman's predecessor, John M. Denman Oil Company, a general partnership, acquired

17 the M. A. Alexander Lease several years ago. During my tenure with the company, there

18 was no activity on the lease. In fact, I was not aware that Denman owned it until that fact

19 was brought to my attention by the Commission. Denman no longer owns this lease,

20 having assigned it to Gary Bridwell and Kayla Bridwell ("Bridwells") effective July 1,

21 2008. A copy of this assignment is attached as Bright Exhibit 1.

22 Q. When did you first learn about problems involving abandoned wells on the lease?

1 A. I was contacted by Ryan Duling with the Commission's District 3 office in Chanute about
2 a complaint the Commission had received from the owners of the surface rights in
3 October 2007. Following this contact, we investigated the possibility of reclaiming some
4 of the wells on the lease to put them back on production. Ultimately, the lease was
5 transferred to the Bridwells before anything was done by Denman.

6 Q. Did Denman advise the Bridwells of issues regarding abandoned wells at the time the
7 lease was assigned?

8 A. Yes. Gary Bridwell and I met with Mr. Duling at his office on June 27, 2008 to discuss
9 the compliance issues. At that meeting, Mr. Bridwell was informed by Mr. Duling of the
10 full extent of problems with abandoned wells on the lease, and Mr. Bridwell gave us his
11 assurance that he intended to restore all wells to production or plug them. It is my
12 understanding that he entered into a written agreement with the Commission to that
13 effect.

14 Q. Did Denman enter into a similar agreement with the Commission?

15 A. No. We could have agreed to a schedule for producing or plugging the wells on the lease
16 at some point, but none was imposed due to sale of the lease to the Bridwells and their
17 assumption of full responsibility for this obligation.

18 Q. Did the Commission issue a notice of violation to Denman regarding the wells on the M.
19 A. Alexander Lease?

20 A. No.

21 Q. Was a Show Cause Order issued by the Commission requiring Denman to produce or
22 plug the wells on the M. A. Alexander Lease prior to its assignment to the Bridwells?

1 A. No.

2 Q. There is testimony in this docket that the interest in the M. A. Alexander Lease assigned
3 by Denman to the Bridwells included only 32 of the 44 unplugged wells the Commission
4 has identified. Is this your understanding?

5 A. No. This interpretation is apparently based on the Change of Operator form (T-1) filed
6 with the Commission in connection with the transfer of operating rights by Denman to the
7 Bridwells, which listed 32 wells. At the time this form was filed, a GPS survey
8 conducted by Commission staff showed only 32 abandoned wells on the lease. Denman
9 was not aware of additional abandoned wells until advised of their existence by letter
10 from Ryan Hoffman, Litigation Counsel for the Commission, after enforcement
11 proceedings were commenced. However, the assignment from Denman conveyed to the
12 Bridwells all of Denman's right, title and working interest in and to the lease, including
13 all wells and other personal property thereon, whether known or unknown at the time of
14 assignment. Denman withheld nothing from its assignment to the Bridwells, other than a
15 small nonoperating overriding royalty interest, and did not retain any responsibility for
16 unplugged wells.

17 Q. Do you know what became of the M. A. Alexander Lease after its assignment to the
18 Bridwells?

19 A. Public records show that the Bridwells obtained new Oil and Gas Leases of the subject
20 property in 2009, which effectively extinguished their rights under the lease assigned to
21 them by Denman. See Bright Exhibit 2. The new leases, which did not exclude existing
22 wellbores under the M. A. Alexander Lease, were later assigned by the Bridwells, dba

1 Black Rain Energy, to TSCH, LLC ("TSCH") effective April 1, 2010. See Bright Exhibit
2 3. No warranty was made by the Bridwells in association with the latter conveyance, and
3 TSCH agreed to indemnify and hold the Bridwells harmless from liability for plugging
4 any and all wells located on the leased premises, presumably including the additional 12
5 wells not revealed by the Commission's GPS survey or disclosed on Change of Operator
6 forms filed in connection with these transfers.

7 Q. Is Denman responsible for plugging any of the abandoned wells on the M. A. Alexander
8 Lease?

9 A. No. Denman is not legally responsible for the care and control of abandoned wells on
10 this lease under K.S.A. 55-179(b). Denman ceded complete control when it assigned all
11 of its rights to those wells to the Bridwells in 2008. Moreover, the lease which gave
12 Denman authority over those wells ceased to exist when the Bridwells obtained new
13 leases in 2009. The Bridwells and TSCH each agreed in writing to be fully responsible
14 for plugging of the wells in question, and have always been considered to be responsible
15 for plugging by the Commission. Whatever rights or responsibility Denman may have
16 had with respect to the 12 wells that escaped detection by the Commission's initial survey
17 passed first to the Bridwells and then to TSCH by assignment. Denman should not be
18 held accountable for wells discovered by the Commission later, of which it was not
19 aware, which the Commission was unable to locate until November 2010, when TSCH
20 owned the leasehold, and for which full responsibility was freely assumed by others.

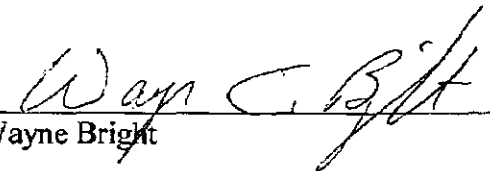
21 Q. Does this conclude your testimony?

22 A. Yes.

VERIFICATION


STATE OF KANSAS)
) ss.
COUNTY OF CHAUTAUQUA)

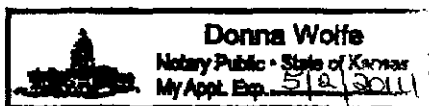
Wayne Bright, of lawful age and being first duly sworn upon his oath, deposes and states that the statements and exhibits contained in the foregoing Prefiled Testimony of Wayne Bright, John M. Denman Oil Co., Inc., submitted to the State Corporation Commission of the State of Kansas in Docket No. 11-CONS-253-CSHO, were prepared by him or under his direction, and are true and correct to the best of his knowledge, information and belief.


Wayne Bright

The foregoing was subscribed in my presence and sworn to before me this 5 day of September, 2011.

My commission expires: 5/2/2014


Notary Public



CERTIFICATE OF SERVICE

The undersigned hereby certifies that, on this 6 day of September, 2011, he caused true and correct copies of the above and foregoing Prefiled Testimony of Wayne Bright, John M. Denman Oil Co., Inc., to be served by depositing the same in the United States mail, postage prepaid, addressed to the following persons:

Ryan A. Hoffman, Litigation Counsel
Kansas Corporation Commission,
Conservation Division
State Office Building, Room 2078
130 South Market
Wichita, Kansas 67202

Charles L. Hoffman, Jr.
TSCH, LLC
480 Mars Way
Juno Beach, Florida 33408

James G. Flaherty
Keith A. Brock
Anderson & Byrd, LLP
216 S. Hickory, P. O. Box 17
Ottawa, Kansas 66067
Attorneys for Gary and Kayla Bridwell,
dba Black Rain Energy

Steve Korf, John Almond
KCC District 3 Office
1500 W. Seventh
Chanute, Kansas 66720



Thomas M. Rhoads

TRIBUNE PRINTING CO.
Independence, Kansas

Mid-Continent Association Form B

(This Space Reserved for Filing Stamp)

ASSIGNMENT OF OIL AND GAS LEASE

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned,

JOHN M. DENMAN OIL CO., INC.

hereinafter called Assignor (whether one or more), for and in consideration of One Dollar (\$1.00) the receipt whereof is hereby acknowledged, does hereby sell, assign, transfer and set over unto GARY BRIDWELL AND KAYLA BRIDWELL

(hereinafter called Assignee), ALL THEIR WORKING

Interest in and to the oil and gas lease

dated FEBRUARY 26th

1903

from W. L. ALEXANDER AND M. A. ALEXANDER,

HIS WIFE

lessor S

to D. W. LONGWELL

lessee

recorded in book K OF MISCELLANEOUS, page 90 insofar as said lease covers the following described land in

CHAUTAUQUA County, State of KANSAS

W 1/2 NE 1/4 and the E 1/2 NW 1/4

ASSIGNOR HEREBY RESERVES TO ITSELF A 3% OVER-RIDING ROYALTY INTEREST ON THE INTEREST BEING TRANSFERRED BY THIS ASSIGNMENT.

THIS ASSIGNMENT IS MADE WITHOUT WARRANTY AS TO TITLE.

of Section 31 Township 34S Range 12 E and containing 160 acres, more or less together with the rights incident thereto and the personal property thereon, appurtenant thereto, or used or obtained in connection therewith.

And for the same consideration the Assignor covenants with the Assignee, its or his heirs, successors or assigns: That the Assignor is the lawful owner of and has good title to the interest above assigned in and to said lease, estate, rights and property, free and clear from all liens, encumbrances or adverse claims; That said lease is a valid and subsisting lease on the land above described, and all rentals and royalties due thereunder have been paid and all conditions necessary to keep the same in full force have been duly performed.

EXECUTED, This 1st day of JULY, 2008

JOHN M. DENMAN OIL CO., INC.

BY JOHN T. DAVIS PRESIDENT

STATE OF MISSOURI } SS.
COUNTY OF FRANKLIN

ACKNOWLEDGMENT FOR INDIVIDUAL (Kans. Okla. and Colo.)

Before me, the undersigned, a Notary Public, within and for said County and State, on this 1st day of JULY, 192008, personally appeared JOHN T. DAVIS and

to me personally known to be the identical person who executed the within and foregoing instrument and acknowledged to me that JOHN T. DAVIS executed the same as JOHN T. DAVIS free and voluntary act and deed for the uses and purposes therein set forth.

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

My commission expires Aug. 8, 2009

Notary Public

STATE OF Missouri } SS.
COUNTY OF Franklin

ACKNOWLEDGMENT FOR CORPORATION

Be it remembered that on this 1 day of July, 2008, before me, the undersigned, a Notary Public, duly commissioned, in and for the county and state aforesaid, came John T. Davis president of John M. Denman Oil Co., Inc.

a corporation of the State of Kansas, personally known to me to be such officer, and to be 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 official seal on the day and year last above written.

My commission expires Aug. 8, 2009

Hannah Zelchi

HANNAH ZELCHI
Notary Public - Notary Seal
State of Missouri
Washington County
My Commission Expires Aug. 8, 2009
Commission # 05749160

Bright Exhibit 1

Producers 88-CBM-ROW
Rev. 2004-Kansas
PAID-UP

STATE OF KANSAS }
Chautauque County } ss \$24.00
This instrument was filed for
record this 31 day of March,
2010 at 10:00 o'clock AM and
duly recorded in book 147
of records on page 529

Karla C. DeLeon
REGISTER OF DEEDS

OIL AND GAS LEASE

THIS AGREEMENT made and entered into this the 12th day of February, 2009, by and between, Corinne Hartley, formerly known as Corinne West, whose address is 135 Via Yella, New Port Beach, CA 92663 hereinafter called Lessor (whether one or more) and Gary Bridwell and Kayla Bridwell, whose address is RR 3, Box 345, Independence, KS 67301, hereinafter called Lessee:

WITNESSETH, Lessor, in consideration of ten and no/100 (\$10.00) dollars and other valuable considerations, cash in hand paid, receipt of which is hereby acknowledged, and of the covenants and agreements contained in this lease, including the royalty provisions herein provided, hereby grants, leases and lets exclusively unto Lessee the lands hereinafter described for the purpose of investigating, exploring, prospecting, drilling and operating for and producing and owning oil, gas of whatsoever nature and kind (including gas well gas, casinghead gas, methane and gas from coal seams, carbon dioxide, and other gas, whether of commercial value or not, hereinafter referred to as "gas"), together with all associated hydrocarbons produced in a liquid or gaseous form, and sulfur, all such substances are hereinafter referred to as the "leased substances", and for injecting waters and other fluids, gas, air and other gaseous substances into subsurface strata, together with the right to make surveys on said land, conduct geophysical operations, lay pipelines, establishing and utilizing facilities for surface or subsurface disposal of salt water or formation water, whether such water comes from lands covered hereby or from other lands operated in conjunction therewith, construction of roads and bridges, storing oil, building tanks, power stations, power lines, telephone lines, and other structures and facilities thereon to produce, save, take care of, treat, process, store, and transport said leased substances and products manufactured therefrom, the following described land, together with any reversionary rights and after-acquired interest, therein situated in the County of Chautauque, State of Kansas, described as follows, to-wit:

Township 34 South, Range 12 East
Section 31: W/2 NE/4; and E/2 NW/4

This lease also covers and includes, in addition to that above described, all land, if any, contiguous or adjacent to or adjoining the land above described and (a) owned or claimed by lessor by limitation, prescription, possession, reversion or unrecorded instrument or (b) as to which Lessor has a preference right of acquisition. Lessor agrees to execute any supplemental instrument requested by Lessee for a more complete or accurate description of said land. For the purpose of determining the amount of any bonus or other payment hereunder, said land shall be deemed to contain 160.00 acres, whether actually containing more or less, and the above recital of acreage in any tract shall be deemed to be the true acreage thereof.

1. It is agreed that this lease shall remain in force for a primary term of One (1) year from this date and as long thereafter as leased substances are produced from the leased premises. Or drilling operations are continued as hereinafter provided, If, at the expiration of the primary term of this lease, leased substances are not being produced on the leased premises, but Lessee is then engaged in drilling or reworking operations thereon, then this lease shall continue in force so long as operations are being continuously prosecuted on the leased premises; and operations shall be considered to be continuously prosecuted if not more than ninety (90) days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling of a subsequent well. If after discovery of leased substances on the leased premises, the production thereof should cease from any cause after the primary term, this lease shall not terminate if Lessee commences additional drilling or reworking operations within ninety (90) days from the date of cessation of production or from the date of completion of a dry hole. If leased substances shall be discovered and produced as a result of such operations at or after the expiration of the primary term of this lease, this lease shall continue in force so long as leased substances are produced from the leased premises, or drilling operations are continued as hereinabove provided. The term "operations" as used herein shall include, in addition to those matters provided for in connection with developing coalbed gas and without limitation of other matters that would reasonably be embraced by the term, any of the following: drilling, testing, completing, reworking, recompleting, deepening, plugging back, or repairing a well in search for or in an endeavor to obtain production of any leased substances, or producing any leased substances, whether or not in paying quantities. For the purpose of developing coalbed gas, the word "operations" shall mean, in addition to those matters covered elsewhere herein, (1) operations of said wells to remove water or other substances from the coalbed, or to dispose of such water or other substances, even though such operations do not result in the production of hydrocarbons in paying quantities, or (2) shutting-in or otherwise discontinuing production from said wells to allow for surface or underground mining affecting the drillsite or wellbore.

2. This is a PAID-UP LEASE. In consideration of a cash bonus in hand paid and the covenants herein contained, Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to

Bright Exhibit 2

commence or continue any operations during the primary term. Lessee may at any time and from time to time during or after the primary term surrender this lease as to all or any portion of said land and as to any strata or stratum by delivering to Lessor or by filing for record a release or releases; and be relieved of all obligation thereafter accruing as to the acreage surrendered.

3. Inconsideration of the promises the said Lessee covenants and agrees:

1st. To deliver to the credit of Lessor, free of cost, in the pipeline to which Lessee may connect wells on said land, the equal one-eighth (1/8th) part of all oil produced and saved from the leased premises.

2nd. To pay Lessor on gas produced from said land (1) when sold by Lessee, one-eighth (1/8th) of the net proceeds realized by Lessee at the well for such sale or (2) when used by Lessee in the manufacture of gasoline or other products, the market value, at the mouth of the well, of one-eighth (1/8th) of such gas; Lessor's interest, in either case, to bear one-eighth (1/8th) of all post-production costs, including, but not limited to, costs of compressing, dehydrating and otherwise treating such gas to render it marketable or usable and one-eighth (1/8th) of the cost of gathering and transporting such gas from the mouth of the well to the point of sale or use.

3rd. To pay Lessor one-eighth (1/8th) of the proceeds received from the sale of any substance covered by this lease, other than oil and gas and the product thereof, which Lessee may elect to produce, save, and market from the leased premises. Notwithstanding the foregoing provisions, Lessee shall have the right to use, free of cost, any leased substance produced, and any water, except water from Lessor's wells and ponds, from the leased premises for the Lessee's operations that benefit the leased premises.

4. If during or after the primary term one or more wells on the leased premises are capable of producing gas, but such well or wells are either shut-in or gas therefrom is not being sold or used, such well or wells shall nevertheless be deemed to be producing for purposes of maintaining this lease, if for a period of ninety (90) consecutive days such well or wells are shut-in or gas therefrom is not being sold or used, then Lessee shall pay or tender as royalty to the royalty owners One Dollar (\$1.00) per net mineral acre per year then retained hereunder, such payment or tender to be made on or before the anniversary date of the lease next ensuing after the expiration of ninety (90) days from the date such well is shut-in and thereafter on or before the anniversary date of this lease during the period such well is shut-in; provided, however, that if such well or wells are shut-in or gas therefrom is not being sold or used during the primary term of this lease, no shut-in royalty shall be payable during the primary term (this being a PAID-UP lease). If at the end of the primary term such well or wells are still shut-in or gas therefrom is still not being sold or used, the first shut-in royalty payment shall be due ninety (90) days after the expiration of the primary term; provided further that if this lease is otherwise being maintained by operations, or if gas is being sold or used from another well or wells on the leased premises, no shut-in royalty shall be due until the end of the ninety (90) day period next following cessation of such operations or production. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease.

5. If said Lessor owns an interest in the leased premises less than the entire and undivided fee simple estate therein, then the rentals and royalties (including any shut-in gas royalty) herein provided for shall be paid the Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee.

6. When requested by Lessor, Lessee shall bury Lessee's pipelines) below plow depth.

7. No well shall be drilled nearer than two hundred (200) feet to the house or barn now on said land without written consent of Lessor.

8. Lessee shall pay for damages caused by Lessee's operations to growing crops on said land.

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

10. The rights of the Lessor and Lessee hereunder may be assigned in whole or part as to any mineral or horizon and shall inure to the benefit of the parties hereto, their respective heirs, successors, devisees, assigns and successive assigns. No change in ownership of Lessor's interest (by assignment or otherwise) shall be binding on Lessee until Lessee has been furnished with notice, consisting of certified copies of all recorded instruments or documents and other information necessary to establish a complete chain of record title from Lessor, and then only with respect to payments thereafter made. No other kind of notice, whether actual or constructive, shall be binding on Lessee. No present or future division of Lessor's ownership as to different portions or parcels of said land shall operate to enlarge the obligations or diminish the rights of Lessee, and all Lessee's operations may be conducted without regard to any such division. If all or any part of this lease is assigned, no leasehold owner shall be liable for any act or omission of any other leasehold owner.

11. Lessee, at its option, is hereby given the right and power at any time and from time to time as a recurring right, either before or after production, as to all or any part of said land and as to anyone or more of the formations hereunder, to pool, unitize, or communitize the leasehold estate and the mineral estate covered by this lease with other land, lease or leases in the immediate vicinity for the production of oil and gas, or separately for the production of either, when in Lessee's judgment it is necessary or advisable to do so, and irrespective of whether authority similar to this exists with respect to such other land, lease or leases. Likewise, units previously formed to include formations not producing oil or gas, may be reformed to exclude such nonproducing formations. The forming or reforming of any unit shall be accomplished by Lessee executing and filing of record a declaration of such unitization or reformation, which declaration shall describe the unit. Any unit may include land upon which a well has theretofore been completed or upon which operations for drilling have theretofore been commenced. Production,

drilling or reworking operations or a well shut-in for want of a market anywhere on a unit which includes all or a part of this lease shall be treated as if it were production, drilling or reworking operations or a well shut-in for want of a market under this lease. In lieu of the royalties elsewhere herein specified, including shut-in gas royalties, Lessor shall receive on production from the unit so pooled royalties only on the portion of such production allocated to this lease; such allocation shall be that proportion of the unit production that the total number of surface acres covered by this lease and included in the unit bears to the total number of surface acres in such unit. In addition to the foregoing, Lessee shall have the right to unitize, pool or combine all or any part of the above described lands as to one or more of the formations thereunder with other lands in the same general area by entering into a cooperative or unit plan of development or operation approved by any governmental authority and, from time to time, with like approval, to modify, change or terminate any such plan or agreement and, in such event, the terms, conditions and provisions of this lease shall be deemed modified to conform to the terms, conditions, and provisions of such approved cooperative or unit plan or development or operation and, particularly, all drilling and development requirements of this lease, expressed or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement, and this lease shall not terminate or expire during the life of such plan or agreement. In the event that said land or any part thereof, shall hereafter be operated under any such cooperative or unit plan of development or operation whereby the production therefrom is allocated to different portions of the land covered by said plan, then the production allocated to any particular tract of land shall, for the purpose of computing the royalties to be paid hereunder to Lessor, be regarded as having been produced from the particular tract of land to which it is allocated and not to any other tract of land; and the royalty payments to be made hereunder to Lessor shall be based upon production only as so allocated. Lessor shall formally express Lessor's consent to any cooperative or unit plan of development or operation adopted by Lessee and approved by any governmental agency by executing the same upon request of Lessee.

12. Lessor agrees that, should Lessee be prevented from complying with any expressed or implied covenant of this agreement (except payment of money to Lessor) by reason of scarcity of or inability to obtain or use labor, water, equipment or material (including drilling rig), strike or differences with workmen, failure of carriers to transport or furnish facilities for transportation, wars, fires, storms, storm warnings, floods, riots, epidemics, compliance with or obedience to any Federal or State law or any regulation, rule or order of any governmental authority having jurisdiction, including but not limited to inability (except through Lessee's lack of reasonable diligence) to obtain any license, permit, or other authorization that may be required to conduct operations on or in connection with the leased premises or lands pooled or unitized therewith, or any cause whatsoever (other than financial), beyond its control, whether similar or dissimilar from those enumerated, any such reason shall be deemed an "event of force majeure" and then, while Lessee is so prevented, its obligation to comply with such covenant shall be suspended and excused and the period for performance and the term of this lease shall be extended for an additional period equal to the duration of the event of the force majeure, and Lessee shall not be liable in damages for failure to comply therewith. Upon the occurrence and upon the termination of the event of the force majeure, Lessee shall promptly notify Lessor. Lessee shall use reasonable diligence to remedy the event of force majeure, but shall not be required against its better judgment to settle any labor dispute or contest the validity of any law or regulation of any action or inaction of civil or military authority.

13. Lessor hereby warrants and agrees to defend the title to the land herein described against the claims of all persons whomsoever, and agrees that the Lessee shall have the right at any time to redeem for Lessor, by payment, any mortgage, taxes or other liens on said land, in the event of default of payment by Lessor and be subrogated to the rights of the holder thereof, and the undersigned Lessors, for themselves, and their heirs, successors and assigns, hereby surrender and release all right of dower and homestead in the premises described herein, insofar as said right of dower and homestead may in any way affect the purposes for which this lease is made.

14. Should anyone or more of the parties hereinabove named as Lessor fail to execute this lease, it shall nevertheless be binding upon all such parties who do execute it as Lessor. The word "Lessor" as used in this lease, shall mean anyone or more or all of the parties who execute this lease as Lessor. All the provisions of this lease shall be binding on the heirs, successors and assigns of Lessor and Lessee.

15. For the same consideration recited hereinabove, the Lessor hereby grants unto the Lessee, its successors and assigns, rights-of-way over, across and through the land hereinabove described for the purpose of installation, operation, maintenance, repair and replacement of one or more electric lines, and as well as one or more pipelines for the collection, gathering, and/or transmission of oil, gas, brines and other substances, together with rights-of-way for ingress and egress over and across said lands for the purpose of conducting oil and gas exploration, production, operation and product transmission activities upon said lands, or upon lands adjacent thereto or in the vicinity thereof. The rights-of-way hereby granted are severable from, and independent of, title oil and gas lease rights herein granted and such rights-of-way shall continue in existence so long as the same are utilized by the Lessee, its successors or assigns, even though the oil and gas lease rights may sooner terminate. The Lessee (or the then holder of the rights-of-way) shall pay for any damages to growing crops or to said lands caused by its utilization of the rights-of-way hereby granted.

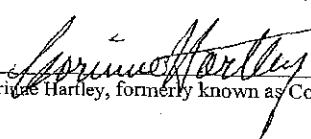
16. It is understood and agreed that in order to obtain maximum efficient recovery of coalbed gas, Lessee may treat and stimulate coal seams and adjacent strata in such manner as Lessee may determine in its sole discretion. Such treatment and stimulation may include, but is not limited to, hydraulic stimulation or the injection of gas, water, brine, or other fluids into the subsurface strata. Lessor

hereby releases and holds Lessee harmless from any and all claims, actions, damages, liability, and expenses (including reasonable costs and attorney's fees) which may arise in connection with any damage or injury to any coal seam or adjacent strata as a result of such activities conducted under this lease.

17. In the event Lessor considers that Lessee has not complied with all its obligations hereunder, both expressed and implied, Lessor shall notify Lessee in writing, setting out specifically in what respects Lessee has breached this contract. Lessee shall then have sixty (60) days after receipt of said notice within which to meet or commence to meet all or any part of the breaches alleged by Lessor. The service of said notice shall be precedent to the bringing of any action by Lessor on said lease for any cause, and no such action shall be brought until the lapse of sixty (60) days after service of such notice on Lessee. Neither the service of said notice nor the doing of any acts by Lessee aimed to meet all or any of the alleged breaches shall be deemed an admission or presumption that Lessee has failed to perform all of its obligations hereunder. Should it be asserted in any notice given to the Lessee under the provisions of this paragraph that Lessee has failed to comply with any implied obligation or covenant hereof, this lease shall not be subject to cancellation for any such cause except after final judicial ascertainment that such failure exists and Lessee has then been afforded a reasonable time to prevent cancellation by complying with and discharging its obligations as to which Lessee has been judicially determined to be in fault. If this lease is cancelled for any cause, it shall nevertheless remain in force and effect as to (1) sufficient acreage around each well as to which there are operations to constitute a drilling or maximum allowable unit under applicable governmental regulations, (but in no event less than forty acres), such acreage to be designated by Lessee as nearly as practicable in the form of a square centered at the well, or in such shape as then existing spacing rules require; and (2) any part of said land included in a pooled unit on which there are operations. Lessee shall also have such easements on said land as are necessary to operations on the acreage so retained.

18. At Lessee's option the primary term of this lease may be extended from One (1) year to an additional One (1) year by paying or tendering to Lessor on or before the expiration of said primary term, the amount of One Hundred and no/100 dollars (\$100.00) for the land then covered hereby, said amount to be paid or tendered to Lessor on or before the anniversary date of this lease.

IN WITNESS WHEREOF, this instrument is executed as of this 12th day of February, 2009.


Corinne Hartley, formerly known as Corinne West

STATE OF CALIFORNIA)
COUNTY OF _____) ss

SEE ATTACHED ACK

This instrument was acknowledged before me, this _____ day of February, 2009, by
Corinne Hartley, formerly known as Corinne West

My Commission Expires _____
Notary

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

County of ORANGEOn FEB 23, 2009 before me, C. JANDRO, Notary Publicpersonally appeared CORINNE HARTLEY

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature [Signature]
Signature of Notary Public

Place Notary Seal Above

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached DocumentTitle or Type of Document: Oil & Gas LeaseDocument Date: 2/12/09 Number of Pages: 4Signer(s) Other Than Named Above: None**Capacity(ies) Claimed by Signer(s)**Signer's Name: CORINNE HARTLEY

- ☒ Individual
☐ Corporate Officer — Title(s): _____
☐ Partner — ☐ Limited ☐ General
☐ Attorney in Fact
☐ Trustee
☐ Guardian or Conservator
☐ Other: _____

Signer Is Representing: _____

RIGHT THUMBPRINT
OF SIGNER

Top of thumb here

Signer's Name: _____

- ☐ Individual
☐ Corporate Officer — Title(s): _____
☐ Partner — ☐ Limited ☐ General
☐ Attorney in Fact
☐ Trustee
☐ Guardian or Conservator
☐ Other: _____

Signer Is Representing: _____

RIGHT THUMBPRINT
OF SIGNER

Top of thumb here

Producers 88-CBM-ROW
Rev. 2004-Kansas
PAID-UP

STATE OF KANSAS }
Chautauqua County } ss \$20.00
This instrument was filed for
record this 31 day of March,
2010 at 10:05 o'clock AM and
duly recorded in book 147
of records on page 534

Laura C. Blain
REGISTER OF DEEDS

OIL AND GAS LEASE

THIS AGREEMENT made and entered into this the 23rd day of February, 2009, by and between, Mark Lee Bartholomew and Linda Susan Varela, formerly known as Linda Susan Bartholomew, whose address is 1635 Cravens Lane, Carpinteria, CA 93013 hereinafter called Lessor (whether one or more) and Gary Bridwell and Kayla Bridwell, whose address is RR 3, Box 345, Independence, KS 67301, hereinafter called Lessee:

WITNESSETH, Lessor, in consideration of ten and no/100 (\$10.00) dollars and other valuable considerations, cash in hand paid, receipt of which is hereby acknowledged, and of the covenants and agreements contained in this lease, including the royalty provisions herein provided, hereby grants, leases and lets exclusively unto Lessee the lands hereinafter described for the purpose of investigating, exploring, prospecting, drilling and operating for and producing and owning oil, gas of whatsoever nature and kind (including gas well gas, casinghead gas, methane and gas from coal seams, carbon dioxide, and other gas, whether of commercial value or not, hereinafter referred to as "gas"), together with all associated hydrocarbons produced in a liquid or gaseous form, and sulfur, all such substances are hereinafter referred to as the "leased substances", and for injecting waters and other fluids, gas, air and other gaseous substances into subsurface strata, together with the right to make surveys on said land, conduct geophysical operations, lay pipelines, establishing and utilizing facilities for surface or subsurface disposal of salt water or formation water, whether such water comes from lands covered hereby or from other lands operated in conjunction therewith, construction of roads and bridges, storing oil, building tanks, power stations, power lines, telephone lines, and other structures and facilities thereon to produce, save, take care of, treat, process, store, and transport said leased substances and products manufactured therefrom, the following described land, together with any reversionary rights and after-acquired interest, therein situated in the County of Chautauqua, State of Kansas, described as follows, to-wit:

Township 34 South, Range 12 East
Section 31: W/2 NE/4; and E/2 NW/4

This lease also covers and includes, in addition to that above described, all land, if any, contiguous or adjacent to or adjoining the land above described and (a) owned or claimed by lessor by limitation, prescription, possession, reversion or unrecorded instrument or (b) as to which Lessor has a preference right of acquisition. Lessor agrees to execute any supplemental instrument requested by Lessee for a more complete or accurate description of said land. For the purpose of determining the amount of any bonus or other payment hereunder, said land shall be deemed to contain 160.00 acres, whether actually containing more or less, and the above recital of acreage in any tract shall be deemed to be the true acreage thereof.

1. It is agreed that this lease shall remain in force for a primary term of One (1) year from this date and as long thereafter as leased substances are produced from the leased premises, Or drilling operations are continued as hereinafter provided, If, at the expiration of the primary term of this lease, leased substances are not being produced on the leased premises, but Lessee is then engaged in drilling or reworking operations thereon, then this lease shall continue in force so long as operations are being continuously prosecuted on the leased premises; and operations shall be considered to be continuously prosecuted if not more than ninety (90) days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling of a subsequent well, If after discovery of leased substances on the leased premises, the production thereof should cease from any cause after the primary term, this lease shall not terminate if Lessee commences additional drilling or reworking operations within ninety (90) days from the date of cessation of production or from the date of completion of a dry hole. If leased substances shall be discovered and produced as a result of such operations at or after the expiration of the primary term of this lease, this lease shall continue in force so long as leased substances are produced from the leased premises, or drilling operations are continued as hereinabove provided. The term "operations" as used herein shall include, in addition to those matters provided for in connection with developing coalbed gas and without limitation of other matters that would reasonably be embraced by the term, any of the following: drilling, testing, completing, reworking, recompleting, deepening, plugging back, or repairing a well in search for or in an endeavor to obtain production of any leased substances, or producing any leased substances, whether or not in paying quantities. For the purpose of developing coalbed gas, the word "operations" shall mean, in addition to those matters covered elsewhere herein, (1) operations of said wells to remove water or other substances from the coalbed, or to dispose of such water or other substances, even though such operations do not result in the production of hydrocarbons in paying quantities, or (2) shutting-in or otherwise discontinuing production from said wells to allow for surface or underground mining affecting the drillsite or wellbore.

2. This is a PAID-UP LEASE. In consideration of a cash bonus in hand paid and the covenants

herein contained, Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the primary term. Lessee may at any time and from time to time during or after the primary term surrender this lease as to all or any portion of said land and as to any strata or stratum by delivering to Lessor or by filing for record a release or releases; and be relieved of all obligation thereafter accruing as to the acreage surrendered.

3. Inconsideration of the promises the said Lessee covenants and agrees:

1st. To deliver to the credit of Lessor, free of cost, in the pipeline to which Lessee may connect wells on said land, the equal one-eighth (1/8th) part of all oil produced and saved from the leased premises.

2nd. To pay Lessor on gas produced from said land (1) when sold by Lessee, one-eighth (1/8th) of the net proceeds realized by Lessee at the well for such sale or (2) when used by Lessee in the manufacture of gasoline or other products, the market value, at the mouth of the well, of one-eighth (1/8th) of such gas; Lessor's interest, in either case, to bear one-eighth (1/8th) of all post-production costs, including, but not limited to, costs of compressing, dehydrating and otherwise treating such gas to render it marketable or usable and one-eighth (1/8th) of the cost of gathering and transporting such gas from the mouth of the well to the point of sale or use.

3rd. To pay Lessor one-eighth (1/8th) of the proceeds received from the sale of any substance covered by this lease, other than oil and gas and the product thereof, which Lessee may elect to produce, save, and market from the leased premises. Notwithstanding the foregoing provisions, Lessee shall have the right to use, free of cost, any leased substance produced, and any water, except water from Lessor's wells and ponds, from the leased premises for the Lessee's operations that benefit the leased premises.

4. If during or after the primary term one or more wells on the leased premises are capable of producing gas, but such well or wells are either shut-in or gas therefrom is not being sold or used, such well or wells shall nevertheless be deemed to be producing for purposes of maintaining this lease. If for a period of ninety (90) consecutive days such well or wells are shut-in or gas therefrom is not being sold or used, then Lessee shall pay or tender as royalty to the royalty owners One Dollar (\$1.00) per net mineral acre per year then retained hereunder, such payment or tender to be made on or before the anniversary date of the lease next ensuing after the expiration of ninety (90) days from the date such well is shut-in and thereafter on or before the anniversary date of this lease during the period such well is shut-in; provided, however, that if such well or wells are shut-in or gas therefrom is not being sold or used during the primary term of this lease, no shut-in royalty shall be payable during the primary term (this being a PAID-UP lease). If at the end of the primary term such well or wells are still shut-in or gas therefrom is still not being sold or used, the first shut-in royalty payment shall be due ninety (90) days after the expiration of the primary term; provided further that if this lease is otherwise being maintained by operations, or if gas is being sold or used from another well or wells on the leased premises, no shut-in royalty shall be due until the end of the ninety (90) day period next following cessation of such operations or production. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease.

5. If said Lessor owns an interest in the leased premises less than the entire and undivided fee simple estate therein, then the rentals and royalties (including any shut-in gas royalty) herein provided for shall be paid the Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee.

6. When requested by Lessor, Lessee shall bury Lessee's pipelines below plow depth.

7. No well shall be drilled nearer than two hundred (200) feet to the house or barn now on said land without written consent of Lessor.

8. Lessee shall pay for damages caused by Lessee's operations to growing crops on said land.

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

10. The rights of the Lessor and Lessee hereunder may be assigned in whole or part as to any mineral or horizon and shall inure to the benefit of the parties hereto, their respective heirs, successors, devisees, assigns and successive assigns. No change in ownership of Lessor's interest (by assignment or otherwise) shall be binding on Lessee until Lessee has been furnished with notice, consisting of certified copies of all recorded instruments or documents and other information necessary to establish a complete chain of record title from Lessor, and then only with respect to payments thereafter made. No other kind of notice, whether actual or constructive, shall be binding on Lessee. No present or future division of Lessor's ownership as to different portions or parcels of said land shall operate to enlarge the obligations or diminish the rights of Lessee, and all Lessee's operations may be conducted without regard to any such division. If all or any part of this lease is assigned, no leasehold owner shall be liable for any act or omission of any other leasehold owner.

11. Lessee, at its option, is hereby given the right and power at any time and from time to time as a recurring right, either before or after production, as to all or any part of said land and as to anyone or more of the formations hereunder, to pool, unitize, or communitize the leasehold estate and the mineral estate covered by this lease with other land, lease or leases in the immediate vicinity for the production of oil and gas, or separately for the production of either, when in Lessee's judgment it is necessary or advisable to do so, and irrespective of whether authority similar to this exists with respect to such other land, lease or leases. Likewise, units previously formed to include formations not producing oil or gas, may be reformed to exclude such nonproducing formations. The forming or reforming of any unit shall be accomplished by Lessee executing and filing of record a declaration of such unitization or reformation, which declaration shall describe the unit. Any unit may include land upon which a well has theretofore

been completed or upon which operations for drilling have theretofore been commenced. Production, drilling or reworking operations or a well shut-in for want of a market anywhere on a unit which includes all or a part of this lease shall be treated as if it were production, drilling or reworking operations or a well shut-in for want of a market under this lease. In lieu of the royalties elsewhere herein specified, including shut-in gas royalties, Lessor shall receive on production from the unit so pooled royalties only on the portion of such production allocated to this lease; such allocation shall be that proportion of the unit production that the total number of surface acres covered by this lease and included in the unit bears to the total number of surface acres in such unit. In addition to the foregoing, Lessee shall have the right to unitize, pool or combine all or any part of the above described lands as to one or more of the formations thereunder with other lands in the same general area by entering into a cooperative or unit plan of development or operation approved by any governmental authority and, from time to time, with like approval, to modify, change or terminate any such plan or agreement and, in such event, the terms, conditions and provisions of this lease shall be deemed modified to conform to the terms, conditions, and provisions of such approved cooperative or unit plan or development or operation and, particularly, all drilling and development requirements of this lease, expressed or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement, and this lease shall not terminate or expire during the life of such plan or agreement. In the event that said land or any part thereof, shall hereafter be operated under any such cooperative or unit plan of development or operation whereby the production therefrom is allocated to different portions of the land covered by said plan, then the production allocated to any particular tract of land shall, for the purpose of computing the royalties to be paid hereunder to Lessor, be regarded as having been produced from the particular tract of land to which it is allocated and not to any other tract of land; and the royalty payments to be made hereunder to Lessor shall be based upon production only as so allocated. Lessor shall formally express Lessor's consent to any cooperative or unit plan of development or operation adopted by Lessee and approved by any governmental agency by executing the same upon request of Lessee.

12. Lessor agrees that, should Lessee be prevented from complying with any expressed or implied covenant of this agreement (except payment of money to Lessor) by reason of scarcity of or inability to obtain or use labor, water, equipment or material (including drilling rig), strike or differences with workmen, failure of carriers to transport or furnish facilities for transportation, wars, fires storms, storm warnings, floods, riots, epidemics, compliance with or obedience to any Federal or State law or any regulation, rule or order of any governmental authority having jurisdiction, including but not limited to inability (except through Lessee's lack of reasonable diligence) to obtain any license, permit, or other authorization that may be required to conduct operations on or in connection with the leased premises or lands pooled or unitized therewith, or any cause whatsoever (other than financial), beyond its control, whether similar or dissimilar from those enumerated, any such reason shall be deemed an "event of force majeure" and then, while Lessee is so prevented, its obligation to comply with such covenant shall be suspended and excused and the period for performance and the term of this lease shall be extended for an additional period equal to the duration of the event of the force majeure, and Lessee shall not be liable in damages for failure to comply therewith. Upon the occurrence and upon the termination of the event of the force majeure, Lessee shall promptly notify Lessor. Lessee shall use reasonable diligence to remedy the event of force majeure, but shall not be required against its better judgment to settle any labor dispute or contest the validity of any law or regulation of any action or inaction of civil or military authority.

13. Lessor hereby warrants and agrees to defend the title to the land herein described against the claims of all persons whomsoever, and agrees that the Lessee shall have the right at any time to redeem for Lessor, by payment, any mortgage, taxes or other liens on said land, in the event of default of payment by Lessor and be subrogated to the rights of the holder thereof, and the undersigned Lessors, for themselves, and their heirs, successors and assigns, hereby surrender and release all right of dower and homestead in the premises described herein, insofar as said right of dower and homestead may in any way affect the purposes for which this lease is made.

14. Should anyone or more of the parties hereinabove named as Lessor fail to execute this lease, it shall nevertheless be binding upon all such parties who do execute it as Lessor. The word "Lessor" as used in this lease, shall mean anyone or more or all of the parties who execute this lease as Lessor. All the provisions of this lease shall be binding on the heirs, successors and assigns of Lessor and Lessee.

15. For the same consideration recited hereinabove, the Lessor hereby grants unto the Lessee, its successors and assigns, rights-of-way over, across and through the land hereinabove described for the purpose of installation, operation, maintenance, repair and replacement of one or more electric lines, and as well as one or more pipelines for the collection, gathering, and/or transmission of oil, gas, brines and other substances, together with rights-of-way for ingress and egress over and across said lands for the purpose of conducting oil and gas exploration, production, operation and product transmission activities upon said lands, or upon lands adjacent thereto or in the vicinity thereof. The rights-of-way hereby granted are severable from, and independent of, title oil and gas lease rights herein granted and such rights-of-way shall continue in existence so long as the same are utilized by the Lessee, its successors or assigns, even though the oil and gas lease rights may sooner terminate. The Lessee (or the then holder of the rights-of-way) shall pay for any damages to growing crops or to said lands caused by its utilization of the rights-of-way hereby granted.

16. It is understood and agreed that in order to obtain maximum efficient recovery of coalbed gas, Lessee may treat and stimulate coal seams and adjacent strata in such manner as Lessee may determine in its sole discretion. Such treatment and stimulation may include, but is not limited to,

hydraulic stimulation or the injection of gas, water, brine, or other fluids into the subsurface strata. Lessor hereby releases and holds Lessee harmless from any and all claims, actions, damages, liability, and expenses (including reasonable costs and attorney's fees) which may arise in connection with any damage or injury to any coal seam or adjacent strata as a result of such activities conducted under this lease.

17. In the event Lessor considers that Lessee has not complied with all its obligations hereunder, both expressed and implied, Lessor shall notify Lessee in writing, setting out specifically in what respects Lessee has breached this contract. Lessee shall then have sixty (60) days after receipt of said notice within which to meet or commence to meet all or any part of the breaches alleged by Lessor. The service of said notice shall be precedent to the bringing of any action by Lessor on said lease for any cause, and no such action shall be brought until the lapse of sixty (60) days after service of such notice on Lessee. Neither the service of said notice nor the doing of any acts by Lessee aimed to meet all or any of the alleged breaches shall be deemed an admission or presumption that Lessee has failed to perform all of its obligations hereunder. Should it be asserted in any notice given to the Lessee under the provisions of this paragraph that Lessee has failed to comply with any implied obligation or covenant hereof, this lease shall not be subject to cancellation for any such cause except after final judicial ascertainment that such failure exists and Lessee has then been afforded a reasonable time to prevent cancellation by complying with and discharging its obligations as to which Lessee has been judicially determined to be in fault. If this lease is cancelled for any cause, it shall nevertheless remain in force and effect as to (1) sufficient acreage around each well as to which there are operations to constitute a drilling or maximum allowable unit under applicable governmental regulations, (but in no event less than forty acres), such acreage to be designated by Lessee as nearly as practicable in the form of a square centered at the well, or in such shape as then existing spacing rules require; and (2) any part of said land included in a pooled unit on which there are operations. Lessee shall also have such easements on said land as are necessary to operations on the acreage so retained.

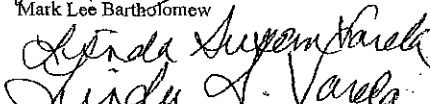
18. At Lessee's option the primary term of this lease may be extended from One (1) year to an additional One (1) year by paying or tendering to Lessor on or before the expiration of said primary term, the amount of One Hundred and no/100 dollars (\$100.00) for the land then covered hereby, said amount to be paid or tendered to Lessor on or before the anniversary date of this lease.

IN WITNESS WHEREOF, this instrument is executed as of this 23rd day of February, 2009.


Mark Lee Bartholomew

Address: 1635 Cravens Lane

Carpinteria, CA 93013


Linda Susan Varela, formerly known as Linda
Susan Bartholomew

Address: 7919 S. Hilby Rd.
Spokane, WA 99223

STATE OF CALIFORNIA

COUNTY OF Santa Barbara) ss

10th March

STATE OF KANSAS }
 Chautauqua County } ss \$16.00 ✓
 This instrument was filed for
 record this 2 day of April,
2010 at 9:50 o'clock AM and
 duly recorded in book 147
 of records on page 549

Rana C. Belton
 REGISTER OF DEEDS

ASSIGNMENT OF OIL AND GAS LEASES
(KANSAS FORM - OVERRIDING ROYALTY INTEREST)

KNOW ALL MEN BY THESE PRESENTS:

That Kayla Bridwell and Gary Bridwell, d/b/a Black Rain Energy, hereinafter called Assignor, for and in consideration of the sum of One Dollar (\$1.00) the receipt of which is hereby acknowledged, does hereby assign, transfer, sell and convey unto TSCH, LLC, hereinafter called Assignee, the Oil and Gas Leases, lands and interest therein, as set out in Exhibit "A" hereof, attached hereto, and reference to which is hereby made, said lands being located in Chautauqua County, State of Kansas, together with the rights incident thereto, the personal property thereon, appurtenant thereto, or used or obtained in connection with said Oil and Gas Leases.

The Assignor herein reserves unto itself, its heirs, successors or assigns, and excepts from this assignment an overriding royalty interest of an undivided 2.5% of 8/8^{ths} of all oil, gas or other hydrocarbons produced, saved and sold from the lands described in Exhibit "A" hereof under the terms of the Oil and Gas Leases, if, as and when produced, saved and sold, but not otherwise. Such overriding royalty interest shall be free of all development, production, marketing and operating expenses and charges of any other nature; however, said interest shall bear and pay currently its share of gross production and/or pipe line taxes. It is agreed that the reservation and exception herein made imposes upon Assignee herein, its heirs, successors and assigns, no duty or obligation to develop or operate the leased premises for oil, gas or other hydrocarbons not imposed by the provisions of the Leases. The interest hereby assigned to Assignee, net of the overriding royalty interest hereby reserved to Assignor is the entire (100%) working interest, bearing Net Revenue Interest (NRI) of .820000.

This Assignment and Bill of Sale is made without warranty of title, either express or implied, except that Assignor agrees to warrant and forever defend title to the interests as to those claiming or to claim the same by, through or under Assignor, but not otherwise. Except to the extent set forth in the preceding sentence of this paragraph, this Assignment and Bill of Sale is made without warranty of title, express, implied or statutory. Any covenants implied by statute or law by the use of the word "Grant" or other similar words in this Assignment and Bill of Sale are hereby expressly restrained, disclaimed, waived and negated.

EXCEPT AS MAY BE EXPRESSLY SET FORTH HEREIN THE LEASE AND RELATED PROPERTY ARE CONVEYED AND ACCEPTED WITHOUT WARRANTY OF TITLE EITHER EXPRESS OR IMPLIED. ASSIGNEE ACKNOWLEDGES THAT IT HAS INSPECTED THE SUBJECT PROPERTY AND THE PROPERTY IS CONVEYED HEREIN BY ASSIGNOR "AS IS, WHERE IS" AND IN THEIR PRESENT CONDITION WITH ALL FAULTS. WITHOUT LIMITATION OF THE GENERALITY OF THE PRECEDING SENTENCE, ASSIGNOR HEREBY EXPRESSLY DISCLAIMS AND NEGATES, AS TO THOSE PORTIONS OF THE SUBJECT PROPERTY CONSTITUTING PERSONAL

Bright Exhibit 3

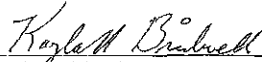
PROPERTY, ANY REPRESENTATION OR WARRANTY, EXPRESS, IMPLIED, AT COMMON LAW, BY STATUTE, OR OTHERWISE RELATING TO THE CONDITION OF THE PROPERTY (INCLUDING, WITHOUT LIMITATION, ANY IMPLIED OR EXPRESS WARRANTY OF MERCHANTABILITY, OF FITNESS FOR A PARTICULAR PURPOSE, OR OF CONFORMITY TO MODELS OR SAMPLES OF MATERIALS).

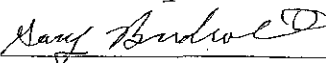
By acceptance of this Assignment and Bill of Sale, ASSIGNEE hereby assumes and agrees to indemnify and hold ASSIGNOR harmless of and from liability for plugging of any and all wells located on the leased premises.

This Assignment and Bill of Sale shall be effective as of April 1, 2010, at 7:50 a.m., Central Standard Time (the "Effective Date" and "Effective Time").

The terms, covenant and conditions hereof shall be binding upon and shall inure to the benefit of the parties hereto, their successors and assigns.

IN WITNESS WHEREOF, this Assignment and Bill of Sale has been executed this 31 day of March, 2010, but shall be effective as of the Effective Time, for all purposes.

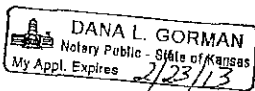

Kayla Bridwell


Gary Bridwell

STATE OF KANSAS)
) SS:
COUNTY OF MONTGOMERY)

BE IT REMEMBERED that on this 31 day of March, 2010, before me, a Notary Public in and for the County and State aforesaid, came Kayla Bridwell and Gary Bridwell, d/b/a Black Rain Energy, who are personally known to me to be the same persons who executed the within instrument of writing and such persons duly acknowledged the execution of the same to be their free act and deed.

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



My Appointment Expires: _____

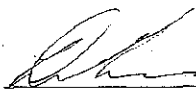

Notary Public

EXHIBIT "A"

1. LESSOR: Mark Lee Bartholomew and Linda Susan Varela,
f/k/a Linda Susan Bartholomew
✓ LESSEE: Gary Bridwell and Kayla Bridwell
DATE: February 23, 2009
RECORDED: Book 147, Page 534
PROPERTY: W/2 NE/4 and E/2 NW/4, Section 31, T34S, R12E,
Chautauqua County, Kansas

2. LESSOR: Corine Hartley, f/k/a Corine West
✓ LESSEE: Gary Bridwell and Kayla Bridwell
DATE: February 12, 2009
RECORDED: Book 147, Page 529
PROPERTY: W/2 NE/4 and E/2 NW/4, Section 31, T34S, R12E,
Chautauqua County, Kansas