

AUG 26 2011

CONSERVATION DIVISION
WICHITA, KS

**THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

Before Commissioners: Mark Sievers, Chairman
 Ward Loyd
 Thomas E. Wright

In the Matter of an Order to Show Cause on) Docket No. 11-CONS-253-CSHO
the Commission's own Motion issued TSCH,)
LLC, Gary and Kayla Bridwell d/b/a Black)
Rain Energy, and John M. Denman Oil Co.,)
Inc., with regard to responsibility under) CONSERVATION DIVISION
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)
Northeast Quarter of Section 31, Township 34) License No. 34407 (Expired)
South, Range 12 East, Chautauqua County,) License No. 30916
Kansas.) License No. 5723
_____)

PRE-FILED TESTIMONY

OF RYAN DULING

1 Q. Please state your name and address for the record.
2 A. Ryan Duling, 1500 W. Seventh, Chanute, Kansas 66720.
3 Q. By whom are you employed and in what capacity?
4 A. I am employed by the Kansas Corporation Commission ("KCC"), Conservation
5 Division, Chanute District #3 Office as a Petroleum Industry Regulatory Technician II
6 ("P.I.R.T. II").
7 Q. How long have you worked for the Corporation Commission's Conservation
8 Division?
9 A. Since June 20, 2004.
10 Q. What are some of your duties as a P.I.R.T. II in District #3?
11 A. As a P.I.R.T. II, I am responsible for the witnessing and monitoring of oil and gas
12 related activities in Allen, Bourbon and the Eastern portion of Woodson County,
13 Kansas. My job involves inspections, documentation, investigation and consultation
14 with lease operators, landowners and Commission Staff on compliance issues related
15 to oil and gas production in Kansas. I witness and monitor the drilling and completion
16 of oil, gas, injection and disposal wells. I also investigate spills and complaints,
17 witness mechanical integrity tests, witness the plugging of wells, and witness the
18 completion of wells. In addition, I conduct GPS surveys on new and abandoned wells.
19 Q. Have you previously testified before the Kansas Corporation Commission?
20 A. Yes, I have.
21 Q. Are you acquainted with the matters before the Commission in Docket No. 11-
22 CONS-253-CSHO?
23 A. Yes.
24 Q. How did you become acquainted with these matters?
25 A. Before I was assigned to work in Allen, Bourbon and the Eastern portion of Woodson
26 County, I was the Temporary Abandoned ("TA") Well Coordinator for District #3. On
27 August 6, 2007 the Wichita Office received a complaint from L. A. and Janet Pacheco,
28 landowners of the Alexander lease concerning abandoned wells, spills and oil field
29 debris on the property. The District #3 Office received the complaint on August 8,
30 2007.
31 Q. Did you respond to the complaint?

1 A. Yes, I went to the Alexander lease on August 15, 2007 and found all the gates locked
2 and I was unable to access the property. The complaint covered two separate sections
3 so I decided to contact the Pacheco's by phone to narrow down the area of the
4 complaint so I would know where to begin. I called and visited with Janet Pacheco
5 and she was going to fax some information to the Chanute office documenting the
6 actual legal description of the lease since so many acres were involved. I contacted the
7 Pacheco's by phone and have phone memo's dated August 15, 2007, August 16, 2007
8 and again on August 30, 2007 explaining what I had accomplished and the issues that
9 needed to be addressed. (Duling Exhibit #1)

10 Q. Did you gather any other information?

11 A. Yes, I went to the Chautauqua County Courthouse on August 17th, 21st and 31st of
12 2007 trying to locate the lease records. Through my investigation I found that John M.
13 Denman Oil Co., Inc. ("Denman") was the last responsible party for the Alexander
14 lease. I have also included all other lease documents relating to this property that have
15 been obtained since my initial search, including a copy of an assignment from
16 Denman to Mr. Bridwell received by Legal Staff on February 10, 2011. (Duling
17 Exhibit #2)

18 Q. Did you contact Denman regarding the Alexander lease?

19 A. Yes, in October 2007 I contacted Denman and discussed the Alexander lease and the
20 abandoned wells with company representative Wayne Bright. Mr. Bright was not
21 aware of the fact that Denman owned the Alexander lease until I told him that I had
22 copies of the courthouse records that verified that Denman owned the lease. At that
23 time he asked if he could have some time to do some research and determine what
24 their options were to come up with a plan to do something with the lease.

25 Q. Did Mr. Bright contact you with a plan to resolve the problems?

26 A. He called me on two or three occasions and they were in the process of contacting the
27 mineral interest holders to make sure that they could operate the lease. On March 21,
28 2008 I contacted Mr. Bright and he told me that all mineral interest owners on this
29 lease had been located and Denman would soon begin producing the wells on the
30 Alexander lease. I explained to him that Denman needed to begin producing the
31 Alexander lease or enter a plugging agreement with the State of Kansas. On April 30,

1 2008 I went to Alexander lease and conducted a GPS survey on 32 abandoned wells
2 that I located. On June 24, 2008 I wrote a letter to Denman stating that I had been in
3 contact with them for nearly a year now with nothing resolved. I gave Denman until
4 July 28, 2008 to have this lease back into production without any violations or enter a
5 plugging agreement with the Kansas Corporation Commission. If they failed to meet
6 the deadline I was planning to forward all my documentation to the District #3
7 Compliance Officer to start enforcement actions. (Duling Exhibit #3)

8 Q. Did Denman comply with the deadline?

9 A. Wayne Bright called and told me that he found someone who wanted the Alexander
10 lease and he wanted to transfer the lease to Gary Bridwell. He wanted to schedule a
11 meeting in my office to meet with Gary Bridwell. On June 27, 2008 Wayne Bright and
12 Gary Bridwell came to the District #3 Office, the reason for the meeting was to help
13 Mr. Bridwell understand that the KCC was wanting immediate action on the
14 Alexander lease to resolve the compliance issues, including either producing or
15 plugging the abandoned wells within a certain time frame.

16 Q. What did you discuss with Mr. Bright and Mr. Bridwell?

17 A. I explained to Mr. Bright and Mr. Bridwell that if they went through with the transfer
18 of this lease that I would expect improvement to begin immediately, meaning he
19 would need to get the wells into production. Mr. Bridwell assured me that he
20 understood and was ready to begin work on the Alexander lease immediately. (Duling
21 Exhibit #4)

22 Q. Did you ask Mr. Bridwell if he had all the resources necessary to get all the wells into
23 production or plug all the wells within a short time frame, including the finances, the
24 manpower and equipment?

25 A. Yes I did. He told me he had everything he needed but he knew that he could not get
26 all the wells into production by the deadline of July 28, 2008 in my letter to Denman
27 Oil. I told him that as long as I could see progress that we would allow him additional
28 time past the deadline.

29 Q. Did Mr. Bridwell get wells into production like he said that he would?

30 A. On July 23, 2008 I went to the Alexander lease and documented in a field report that I
31 found that Mr. Bridwell had began putting in a new tank battery. I went back to the

1 lease on September 19, 2008 and documented in a field report that I found three
2 pumpjacks sitting next to the wellheads and nothing more than that had been done. I
3 called Mr. Bridwell and asked him why nothing had been done since my earlier
4 inspection? He told me that the weather had delayed his progress but he was getting
5 ready to start getting wells into production. I told him that he needed to get started
6 with this lease or I would have to implement a deadline for final improvements.
7 (Duling Exhibit #5)

8 Q. Did you go back to the lease after your conversation?

9 A. Yes. On November 5, 2008 I inspected the lease again and found that Mr. Bridwell
10 had made no progress or improvements to the lease since September. I again contacted
11 Mr. Bridwell to discuss the problem that no progress had been made, Mr. Bridwell
12 said he had just got off the phone with someone about purchasing some pipe and had
13 planned on running pipe in some of the wells as early as the next week. I told him that
14 this would be the last inspection without any progress and the next inspection should
15 show substantial progress or a time table would be set and enforced. I went back to the
16 lease on December 5, 2008 and documented in a field report that nothing had been
17 done since November 2008. I tried to contact Mr. Bridwell by phone and got no
18 answer. On December 29, 2008 I went back to the Alexander lease and documented in
19 a field report that no improvements had been made in the past six months. I had no
20 other choice but to turn all my documentation over to the District Compliance Officer
21 for enforcement action. (Duling Exhibit #6)

22 Q. What did the Compliance Officer do about the situation?

23 A. On December 30, 2008 John Almond wrote Mr. Bridwell a Notice of Violation letter
24 with a deadline to provide a signed written proposal with a specific number of wells
25 per month that he would either put into production or plug. (Duling Exhibit #7)

26 Q. Have you been back to the Alexander lease since December 29, 2008?

27 A. No.

28 Q. Do you know if Mr. Bridwell got the lease into production?

29 A. No.

30 Q. Does Mr. Bridwell still have the Alexander lease?

31 A. I don't know.

1 Q. So you have no further knowledge about the Alexander lease?

2 A. No.

3 Q. Does this complete your testimony to the Commission?

4 A. Yes.

KCC OIL/GAS REGULATORY OFFICES

Date 08/15/07

☒
☐
☐

New Situation
Response to Request
Follow-up

Qtr, Qtr _____ Sec. 30 & 31 Twp. 34S Rge. 12E

Operator Unknown License # NA

Address _____

Address _____ Lease/Well # Pacheco

Phone # _____ County Chautauqua

Lease Inspection _____ Complaint X Field Report X

Reason for Investigation A complaint was received out at Wichita from Janet Pacheco protesting a UIC application. Mr. McCannon sent this complaint to our office due to the actual complaint of abandoned wells.

Problem Several abandoned wells, oil and salt water spills, erosion, and oil field debris.

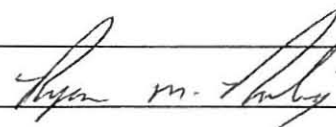
Persons Contacted No one at this time.

Findings I arrived at this location around 2:00 p.m. on Wednesday, August 15, 2007. The copy of the complaint that our office received from Wichita stated that there was abandoned wells that needed to be plugged. There was also several oil and salt water spills that needed to be cleaned up and grass reseeded. The complaint also stated that erosion had already began on some of these areas. Mr. and Mrs. Pacheco also stated that there was oil field debris on this property from past operator. This complaint covered acres lying in Section 30 and 31, Township 34S, Range 11E. All gates had several locks and access could not be granted. Since this complaint covered two sections, I decided to try to contact the Pacheco's again to narrow down the complaint a little so I would know where to begin.

Photos Taken None

Actions/Recommendations I will try to contact the Pacheco's again to see what area in these two sections they own. This way I will know exactly where to begin my investigation.

By



Ryan M. Duling TA Coordinator

Retain 1 copy District Office
Send 1 copy Conservation Division

(20)

Kansas Corporation Commission

Phone Memo

From: L.A. Pacheco, landowner

Date: 8/15/2007

Received By: Ryan Duling, TA Coordinator

Subject: Complaint that was sent

Discussion:

L.A. Pacheco contacted me on my cell phone to discuss the problems on their land located in Chautauqua County, Kansas, in sections 19, 30, and 31, Township 34S, Range 12E. They have abandoned oil and gas wells, old saltwater kill areas and tons of junk located on their property. I informed him that I was working on their problems. I also told him that this would take time and I would keep him informed on the progress. He seemed very upset because he has been trying to get something done for over 18 years. He said that previous employees of the KCC have done absolutely nothing and he hopes that I would actually do something. I told him that I did not know anything about the previous 18 years but that I would do what I could to get something accomplished.

Action/Recommendations:

I need to go to the courthouse to identify the responsible party and contact them.



Ryan M. Duling TA Coordinator

Kansas Corporation Commission

Phone Memo

To: Janet Pacheco

From: Ryan Duling TA Coordinator

Date: 8/15/2007

Contacted: Janet Pacheco, landowner

Subject: Complaint

Discussion:

I talked with Janet Pacheco, L.A. Pacheco's wife, around 4:30 p.m. on my cell phone. I discussed what I talked about with her husband. She is going to fax me some paperwork to the office documenting the actual legals since so many acres are involved. Mrs. Pacheco was very pleasant to talk to on the phone.

Action/Recommendations:

Review the fax she is going to send me in the morning.



Ryan M. Duling TA Coordinator

Kansas Corporation Commission

Phone Memo

From: Janet Pacheco, landowner

Date: 8/16/2007

Received By: Ryan Duling, TA Coordinator

Subject: Complaint that was sent

Discussion:

Janet Pacheco contacted me at the office around 2:30 p.m. to discuss the documentation that she had faxed me. We discussed the problems and I informed her how I was going to approach them. She said she thought Denman Oil and Jones & Buck were the responsible operators on the leases. I told her that I was going to the courthouse in Sedan to figure out who exactly was the responsible party or parties. I told her that this will be a time consuming project and I would keep them informed about what I found out and was doing with the complaint.

Action/Recommendations:

I need to go to the courthouse to identify the responsible party and contact them.



Ryan M. Duling TA Coordinator

Kansas Corporation Commission

Phone Memo

To: L.A. Pacheco

From: Ryan Duling TA Coordinator

Date: 8/16/2007

Contacted: L.A. Pacheco, landowner

Subject: Complaint

Discussion:

I contacted L.A. Pacheco and told him what I had discussed with his wife. He was calmer and very polite on the phone. He said that he appreciated what I was doing and hoped I could continue on this project. I told him I would continue investigating their complaint and informed him I would keep them informed when I found something out.

Action/Recommendations:

Courthouse review for responsible party.



Ryan M. Duling TA Coordinator

(24)

Kansas Corporation Commission

Phone Memo

To: Janet Pacheco

From: Ryan Duling TA Coordinator

Date: 8/30/2007

Contacted: Janet Pacheco, landowner

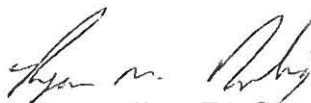
Subject: Complaint

Discussion:

I talked with Janet Pacheco around 9:30 a.m. and discussed what I had found out so far on their complaint. I informed her about information that I was able to find out at the courthouse and told her what my plans were at this point. I told her when I received more information I would contact her again.

Action/Recommendations:

Continue sorting out the responsible parties.


Ryan M. Duling TA Coordinator

(25)

Kansas Corporation Commission

Courthouse Reports

8/17/2007

I went to the courthouse in Sedan to try to figure out who the responsible party or parties were on a complaint that was received from L.A. and Janet Pacheco. The complaint covered Sections 19, 30, and 31, Township 34S, and Range 12E. I was going to begin with Section 19. I found information showing that Jones & Buck Development were the responsible party for the S $\frac{1}{2}$ of the NW $\frac{1}{4}$ and the SW $\frac{1}{4}$ of Section 19, Township 34S, Range 12E.

8/21/2007

I went back to the courthouse to review the document for Section 30, Township 34S, Range 12E. After several hours, I found documentation that Edward Hessert was last know operator and lessor of all the acres in Section 30 except the N $\frac{1}{2}$ of the NW $\frac{1}{4}$. No documentation was available to identify any responsible party for this 80 acre tract.

8/31/2007

I arrived at the courthouse in Sedan to look for the responsible party for the areas in Section 31 of the complaint. Documentation shows that Edward Hessert was the last known operator for the W $\frac{1}{2}$ of the NW $\frac{1}{4}$ of Section 31, Township 34S, Range 12E. Denman oil is the responsible party for the E $\frac{1}{2}$ of the NW $\frac{1}{4}$ and the W $\frac{1}{2}$ of the NE $\frac{1}{4}$.



Ryan M. Duling TA Coordinator

STATE OF KANSAS }
Chautauqua County } ss.

This instrument was filed for record
this 28 day of May
1942 at 2:30 o'clock P.M. and duly
recorded in book 72 of County
on page 104

ASSIGNMENT OF OIL AND GAS LEASES

Marion P. Price
REGISTER OF DEEDS

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned, John M. Denman Oil Company, a partnership composed of Mary D. Simpson, Paul Simpson, Jr., John H. Denman, and Susan Denman, 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 John M. Denman Oil Co., Inc., hereinafter called Assignee, all of their right, title, and interest in and to the following oil and gas leases all located in Chautauqua County, Kansas, to wit:

DENMAN BROTHERS LEASES:

(1). An oil and gas lease dated July 26, 1954, from Louise Floyd Wall and H. H. Wall, her husband, and Louise Floyd Wall as Guardian of John Calvin Floyd, a minor, Lessors, to Denman Brothers, a firm composed of Arthur G. Denman and John Denman, Jr., Lessee, recorded in Book 19 of Leases at Page 286, insofar as said lease covers the following described real estate, to wit:

An undivided one-half interest in and to the following described tracts of land, to wit: The Southeast Quarter of the Southwest Quarter of Section 29; the Northeast Quarter, the Southeast Quarter, the North Half of the Southwest Quarter, the Southeast Quarter of the Southwest Quarter and the Northwest Quarter of Section 32; the South Half of the Northeast Quarter, the North Half of the Southeast Quarter, the Southwest Quarter and the Northwest Quarter of Section 33; Township 34 South, Range 11, East of the 6th P.M.

(2). An oil and gas lease dated September 22, 1943, from Esther D. Clarke and Elmer Clarke, her husband, Lessors, to Denman Brothers, a firm composed of Arthur G. Denman and John Denman, Jr., Lessee, recorded in Book 13 of Leases at Page 26, insofar as said lease covers the following described real estate, to wit:

The Southwest Quarter of Section 23, Township 34 South, Range 11, East of the 6th P.M.

(3). An oil and gas lease dated June 1, 1947, from Wyley J. Dennis and Gladys J. Dennis, his wife, Lessors, to Denman Brothers, a firm composed of Arthur G. Denman and John Denman, Jr., Lessee, recorded in Book 13 of Leases at Page 75, insofar as said lease covers the following described real estate, to wit:

The Northeast Quarter of the Northeast Quarter of Section 27, Township 34 South, Range 11, East of the 6th P.M.

(4). An oil and gas lease dated August 20, 1917, from G.G. Johnson and Mary Ellen Johnson, his wife, Lessors, to J. P. Tabler, Lessee, recorded in Book 0 of Leases at Page 8, insofar as said lease covers the following described real estate, to wit:

The Southeast Quarter of Section 27, Township 34 South, Range 10, East of the 6th P.M.

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(316) 725-3411

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(5). An oil and gas lease dated November 19, 1907, from Bruce L. Keenan and wife, Lessors, to W. F. Lemmon, Lessee, recorded in Book N of Miscellaneous Records at Page 152, insofar as said lease covers the following described real estate, to wit:

The Northeast Quarter of Section 34, Township 34 South, Range 10, East of the 6th P.M.

(6). The interest in the oil and gas on the West Half of the West Half of Section 26, Township 34 South, Range 10, East of the 6th P.M., received by Arthur G. Denman under a contract dated December 18, 1928, recorded in Book 7 of Leases at Page 161 between William G. Lemmon, et al, and Denman Brothers, a firm composed of Arthur G. Denman and John Denman, Jr.

(7). An oil and gas lease dated October 18, 1955, from Lola J. Moore and W. R. Moore, her husband, Lessors, to Denman Brothers, Lessee, recorded in Book 23 of Leases at Page 116, insofar as said lease covers the following described real estate, to wit:

The East Half of the Northwest Quarter of Section 26, Township 34 South, Range 10, East of the 6th P.M.

(8). An oil and gas lease dated October 29, 1926, from L. T. Morton and Maggie A. Morton, his wife, Lessors, to Denman Brothers, a firm composed of Arthur G. Denman and John Denman, Jr., Lessee, recorded in Book 4 of Leases at Page 365, insofar as said lease covers the following described real estate, to wit:

Beginning at the Northeast Corner of the Northeast Quarter of Section 33, Township 33 South, Range 12, East of the 6th P.M., thence West 17 rods, thence South 51 rods, thence West 30 rods, thence South to the South line of said Northeast Quarter, thence East to the Southeast Corner of the Northeast Quarter, thence North to the place of beginning, and the Northwest Quarter of Section 34, Township 33 South, Range 12, East of the 6th P.M. (As corrected by Agreement in Book 7 of Leases at Page 147.)

(9). An oil and gas lease dated April 17, 1952, from J.R. Mullendore and Lillie M. Mullendore, his wife, Lessors, to Denman Brothers, a firm composed of Arthur G. Denman and John Denman, Jr., Lessee, recorded in Book 13 at Page 320, insofar as said lease covers the following described real estate, to wit:

The East Half of the Northwest Quarter and the West Half of the Northeast Quarter, also a tract in the East Half of the Northeast Quarter (Part of the East Half of the Northeast Quarter) beginning 17 rods West of the Northeast Corner of the said Northeast Quarter, thence South 51 rods, thence West 30 rods, thence South to the half section line, thence West 33 rods to the quarter section line, thence North 160 rods, thence East 63 rods to the place of beginning, in Section 33, Township 33 South, Range 12, East of the 6th P.M.

(10). An oil and gas lease dated September 30, 1944, from A. F. Ogle and Bertha N. Ogle, his wife, Lessors, to Denman Brothers, a firm composed of Arthur G. Denman and John Denman, Jr., Lessee, recorded in Book 13 of Leases at Page 45, insofar as said lease covers the following described real estate, to wit:

-3-

The South Half of the Southwest Quarter of the Southeast Quarter and the Southwest Quarter of the Southeast Quarter of the Southeast Quarter of Section 28, Township 34 South, Range 11, East of the 6th P.M.

(11). An oil and gas lease dated September 30, 1944, from B. M. Athey and Rosa B. Athey, his wife, Lessors, to Denman Brothers, a firm composed of Arthur G. Denman and John Denman, Jr., Lessee, recorded in Book 13 of Leases at Page 45, insofar as said lease covers the following described real estate, to wit:

The North Half of the Northeast Quarter of Section 33, Township 34 South, Range 11, East of the 6th P.M.

(12). An oil and gas lease dated October 11, 1926, from Claude C. Riley and Alta Riley, his wife, Lessors, to Denman Brothers, a firm composed of Arthur G. Denman and John Denman, Jr., Lessee, recorded in Book 4 of Leases at Page 362, insofar as said lease covers the following described real estate, to wit:

The Southwest Quarter of Section 27, Township 33 South, Range 12, East of the 6th P.M.

(13). An oil and gas lease dated September 1, 1911, from Ambrose Spire and Ella F. Spire, his wife, Lessors, to Arthur G. Denman, et al, Lessees, recorded in Book B of Leases at Page 357, insofar as said lease covers the following described real estate, to wit:

The West Half of the Southeast Quarter of Section 27, and the North Half of the Northeast Quarter, except a tract commencing at the Northwest Corner of said Northeast Quarter, running thence South 60 rods, thence East $53\frac{1}{2}$ rods, thence North 60 rods, thence West $53\frac{1}{2}$ rods to the place of beginning; and also assigning a tract in the South Half of the Northeast Quarter of Section 34 described as follows: Commencing 400 feet West of an oil and gas well belonging to Denman Brothers, running thence South 400 feet, thence East 800 feet, thence North to the North line of the South Half of the Northeast Quarter of said Section 34; thence West on said North line 800 feet, thence South to the place of beginning, in Township 34 South, Range 11, East of the 6th P.M.

(14). An oil and gas lease dated October 15, 1902, from R. W. Winans, Lessor, to George T. Guernsey, Lessee, recorded in Book G of Miscellaneous Records at Page 79, insofar as said lease covers the following described real estate, to wit:

The West Half of the Northeast Quarter and the Southeast Quarter of the Northeast Quarter, less ten acres, beginning at the Southeast Corner of the Northeast Quarter of Section 27, Township 34 South, Range 11, East of the 6th P.M., running thence West 40 rods, thence North 40 rods, thence East 40 rods, thence South 40 rods to the place of beginning, all in Section 27, Township 34 South, Range 11, East of the 6th P.M.

(15). An oil and gas lease dated September 14, 1903, from A. R. Hartzell and Mary Hartzell, his wife, Lessors, to S. H. Hall and Norman L. Hay, Lessees, recorded in Book J of Miscellaneous Records at Page 442, insofar as said lease covers the following described real estate, to wit:

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The East Half of the Southeast Quarter of Section 27, Township 34 South, Range 11, East of the 6th P.M.

MENDENHALL LEASES:

(1). An oil and gas lease dated January 26, 1952, from Emmitt Goode and Wanda Goode, his wife, Lessors, to W. H. Burden, Lessee, recorded in Book 13 of Leases at Page 135, insofar as said lease covers the following described real estate, to wit:

The Southeast Quarter of Section 17, Township 33 South, Range 10, East of the 6th P.M.

(2). An oil and gas lease dated February 5, 1952, from Claudie Goode and Hazel Goode, his wife, Lessors, to W. H. Burden, Lessee, recorded in Book 13 of Leases at Page 137, insofar as said lease covers the following described real estate, to wit:

The South Half of the Northwest Quarter of Section 17, Township 33 South, Range 10, East of the 6th P.M.

(3). An oil and gas lease dated June 18, 1952, from Floyd McCall and Ethel McCall, his wife, Lessors, to W. H. Burden, Lessee, recorded in Book 13 of Leases at Page 136, insofar as said lease covers the following described real estate, to wit:

The North Half of the Southwest Quarter of Section 17, Township 33 South, Range 10, East of the 6th P.M.

(4). An oil and gas lease dated October 28, 1953, from W.W. Smith, et al, Lessors, to Roscoe Mendenhall, Lessee, recorded in Book 16 of Leases at Page 382, insofar as said lease covers the following described real estate, to wit:

The East Half of the Northwest Quarter, the Southwest Quarter of the Northwest Quarter, and the North Half of the Southwest Quarter of Section 20, Township 33 South, Range 10, East of the 6th P.M.

(5). An oil and gas lease dated June 25, 1952, from J. A. Smith and Arah M. Smith, his wife, Lessors, to B. W. Taggart, Lessee, recorded in Book 16 of Leases at Page 124, insofar as said lease covers the following described real estate, to wit:

The South Half of the Southwest Quarter of Section 17, and the Northwest Quarter of the Northwest Quarter of Section 20, Township 33 South, Range 10, East of the 6th P.M.

(6). An oil and gas lease dated June 12, 1952, from P. F. Eggen and Maude Blanche Eggen, his wife, Lessors, to B. W. Taggart, Lessee, recorded in Book 16 of Leases at Page 122, insofar as said lease covers the following described real estate, to wit:

The Northeast Quarter of Section 17, Township 33 South, Range 10, East of the 6th P.M.

(7). An oil and gas lease dated August 1, 1955, from Pearl M. Burden, Lessor, to F. B. Jensen, Lessee, recorded in Book 21 of Leases at Page 112, insofar as said lease covers the following described real estate, to wit:

-5-

The South Half of the Southeast Quarter of Section 18; Township 33 South, Range 10, East of the 6th P.M.

FEDERAL PETROLEUM LEASES:

(1). An oil and gas lease dated April 30, 1937, from Albert Casement and Ora Olive Casement, his wife, Lessors, to Sinclair Prairie Oil Company, Lessee, recorded in Book 10 at Page 311, insofar as said lease covers the following described real estate, to wit:

The Northeast Quarter, less the West Half of the Northeast Quarter lying South and West of center of Middle Caney River in Section 5; Township 34 South, Range 11, East of the 6th P.M., the Southeast Quarter of the Southeast Quarter and the West Half of the Southeast Quarter lying East of Caney River, and 35 acres off the Northeast Corner of the Southwest Quarter lying North of Caney River in Section 32; Township 33 South, Range 11, East of the 6th P.M.

(2). An oil and gas lease dated December 1, 1909, from Charlie Casement and Mellie Casement, his wife, Lessors, to Denman Bros., Lessee, recorded in Book L at Page 65, insofar as said lease covers the following described real estate, to wit:

The Northwest Quarter of the Southwest Quarter, the North Half of the Southwest Quarter of the Southwest Quarter, the Southwest Quarter of the Northeast Quarter of the Southwest Quarter of Section 33; Township 33 South, Range 11, East of the 6th P.M.

(3). An oil and gas lease dated October 16, 1912, from Joshua Gregg and Margaret E. Gregg, his wife, Lessors, to Samuel C. Tucker, Calvin W. Floyd, John Denman, Jr., and Arthur Denman, Lessees, recorded in Book C at Page 220, insofar as said lease covers the following described real estate, to wit:

The West Half of the Southwest Quarter of Section 14; All of Section 15; the Northeast Quarter, the East Half of the Northwest Quarter, the Southeast Quarter, the East Half of the Southwest Quarter of Section 21; All of Section 22; the West Half of the Northwest Quarter and the West Half of the Southwest Quarter of Section 23; the Northwest Quarter of the Northwest Quarter of Section 26; the North Half of the Northeast Quarter, the Northwest Quarter of Section 27; the East Half of the Southeast Quarter of the Northeast Quarter of Section 28; All in Township 33 South, Range 11, East of the 6th P.M.

(4). An oil and gas lease dated October 16, 1912, from J. G. Wadsworth and Ida P. Wadsworth, his wife, and John T. Fleming, Lessors, to Samuel C. Tucker, Calvin W. Floyd, John Denman, Jr. and Arthur Denman, Lessees, recorded in Book C at Page 218, insofar as said lease covers the following described real estate, to wit:

The South Half of the Northeast Quarter of Section 27; Township 33 South, Range 11, East of the 6th P.M.

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(5). An oil and gas lease dated July 27, 1912, from D. J. Moore and A. G. Moore, his wife, Lessors, to The Deer Creek Oil & Gas Co., Lessee, recorded in Book N at Page 200, insofar as said lease covers the following described real estate, to wit:

The Southwest Quarter, less two acres in the Northeast Corner, Section 3; Township 34 South, Range 11, East of the 6th P.M.

(6). An oil and gas lease dated March 3, 1938, from Peru Oil and Gas Company, Lessor, to Sinclair Prairie Oil Company, Lessee, recorded in Book 12 at Page 291, insofar as said lease covers the following described real estate, to wit:

The Southeast Quarter, the East Half of the Southwest Quarter of Section 31; Township 33 South, Range 12, East of the 6th P.M., and Lots 1 and 2, the North Half of the Northwest Quarter of Section 6; Township 34 South, Range 12, East of the 6th P.M.

(7). An oil and gas lease dated November 7, 1903, from George W. Swallow and Jennie Swallow, his wife, Lessors, to H.R. Taylor and E. C. Ackerman, Lessees, recorded in Book H at Page 320, insofar as said lease covers the following described real estate, to wit:

The South Half of the Northeast Quarter and the North Half of the Southeast Quarter, less the East 70 acres and less 5 acres in the Southwest Corner of the North Half of the Southeast Quarter of Section 6; Township 34 South, Range 12, East of the 6th P.M.

(8). An oil and gas lease dated July 30, 1900, from A.L. Hartzell, Lessor, to Wm. Geiser, Lessee, recorded in Book F at Page 44, insofar as said lease covers the following described real estate, to wit:

The Southeast Quarter of Section 19; Township 34 South, Range 12, East of the 6th P.M., less 20 acres off the North side of said Southeast Quarter of Section 19.

(9). An oil and gas lease dated December 26, 1901, from James Rodgers and Della Rodgers, his wife, Lessors, to Wm. Geiser, Lessee, recorded in Book F at Page 292, insofar as said lease covers the following described real estate, to wit:

The Southeast Quarter of the Southeast Quarter of Section 18; and the Northeast Quarter of the Northeast Quarter of Section 19; Township 34 South, Range 12, East of the 6th P.M.

(10). An oil and gas lease dated March 12, 1902, from J.C. Conley and _____ Conley, his wife, (Lease executed by Ollie), Lessors, to Wm. Geiser, Lessee, recorded in Book G at Page 183, insofar as said lease covers the following described real estate, to wit:

The Northwest Quarter of the Southeast Quarter of Section 15; Township 34 South, Range 12, East of the 6th P.M.

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(11). An oil and gas lease dated November 2, 1903, from :
Julia A. Lowe, Lessor, to Interstate Oil & Gas Company, Lessee,
recorded in Book K at Page 601, insofar as said lease covers the
following described real estate, to wit:

The Northeast Quarter of the Southwest Quarter and
the North Half of the Southeast Quarter of the South-
west Quarter and the Southeast Quarter of the South-
east Quarter of the Southwest Quarter of Section 10,
and the East Half of the Northeast Quarter of the
Northwest Quarter, excepting and reserving therefrom
four acres off the South side thereof and also a
tract of land described as follows: Commencing 16
rods North of the Southeast Corner of said Northeast
Quarter of the Northwest Quarter and running thence
West 5 rods, thence North 6 rods, thence East 5 rods,
thence South 6 rods to beginning, also the Northwest
Quarter of the Northeast Quarter, excepting therefrom
a tract bounded as follows: Commencing at the South-
west Corner of said Northwest Quarter of the Northeast
Quarter and running thence North 22 rods, thence East
10 rods, thence South 22 rods, thence West 10 rods to
beginning in Section 15, Township 34 South, Range 12,
East of the 6th P.M., containing in all 124 acres,
more or less.

(12). An oil and gas lease dated October 4, 1894, from
The Board of County Commissioners, Chautauqua County, Kansas,
Lessor, to Sedan Mining Gas & Oil Company, Lessee, recorded in
Book D at Page 125, insofar as said lease covers the following
described real estate, to wit:

The West Half of the Northeast Quarter and the East
Half of the Northwest Quarter and the Southeast Quar-
ter of Section 10, Township 34 South, Range 12, East
of the 6th P.M.

(13). An oil and gas lease dated July 30, 1900, from H.W. -
Moore, Lessor, to Wm. Geiser, Lessee, recorded in Book E at Page
500, insofar as said lease covers the following described real
estate, to wit:

The Northeast Quarter of the Southwest Quarter and
also a part of the Northwest Quarter of the South-
west Quarter described as follows, to wit: Beginning
at the Northeast Corner of the Northwest Quarter of
the Southwest Quarter of Section 22, running thence
due West 76 rods, more or less, to a point 4 rods
East of the Northwest Corner of said Southwest Quar-
ter; thence due South 42 rods; thence East to the
East line of said Northwest Quarter of said South-
west Quarter; thence North to place of beginning in
Section 22, Township 34 South, Range 12, East of the
6th P.M.

(14). An oil and gas lease dated March 13, 1901, from H.W. -
Moore, Lessor, to Wm. Geiser, Lessee, recorded in Book F at Page
64, insofar as said lease covers the following described real
estate, to wit:

All that part of the West Half of the Northwest
Quarter lying South of the railroad right of way,
Section 22, Township 34 South, Range 12, East of
the 6th P.M.

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(15). An oil and gas lease dated April 17, 1920, from Phil P. Haney and Edna Haney, his wife, Lessors, to The Prairie Oil and Gas Co., Lessee, recorded in Book W at Page 330, insofar as said lease covers the following described real estate, to wit:

The East Half of the Northwest Quarter of Section 22; Township 34 South, Range 12, East of the 6th P.M., lying North of the North line of Atchison, Topeka & Santa Fe Railway Company's former right of way.

DORIS DAY LEASES:

(1). An oil and gas lease dated January 19, 1952, from R. R. McAfee and Ruby McAfee, his wife, Lessors, to W. H. Burden, Lessee, recorded in Book 13 of Leases at Page 144, insofar as said lease covers the following described real estate, to wit:

The Northeast Quarter of Section 20, Township 33 South, Range 10, East of the 6th P.M.

(2). An oil and gas lease dated February 5, 1952, from Clayo Mattocks and Inez Mattocks, his wife, Lessors, to W. E. Burden, Lessee, recorded in Book 13 of Leases at Page 147, insofar as said lease covers the following described real estate, to wit:

The East Half of the Northeast Quarter of Section 20; Township 33 South, Range 10, East of the 6th P.M.

(3). An oil and gas lease dated November 10, 1954, from Carolee Keith and Kenneth Keith, her husband, Lessors, to Deering J. Marshall, Lessee, recorded in Book 19 of Leases at Page 311, insofar as said lease covers the following described real estate, to wit:

The Southeast Quarter of Section 20, Township 33 South, Range 10, East of the 6th P.M.

JOHN M. DENMAN OIL COMPANY LEASES:

(1). An oil and gas lease dated November 18, 1902, from Mary A. Blundell, Lessor, to L. A. Lockwood and Company, Lessee, recorded in Book G of Miscellaneous Records at Page 49, insofar as said lease covers the following described real estate, to wit:

The East Half of the Southeast Quarter of Section 36; Township 34 South, Range 11, East of the 6th P.M.

(2). An oil and gas lease dated June 6, 1932, from E.H. Hann and Lumanda Hann, his wife, Lessors, to John M. Denman, Lessee, recorded in Book 8 at Page 40, insofar as said lease covers the following described real estate, to wit:

The Southeast Quarter of Section 35, Township 34 South, Range 11, East of the 6th P.M.

(3). An oil and gas lease dated April 1, 1905, from Otto C. Herman, Lessor, to Hatfield Oil and Gas Co., Lessee, recorded in Book L of Leases at Page 601, insofar as said lease covers the following described real estate, to wit:

The Southwest Quarter of Section 36, Township 34 South, Range 11, East of the 6th P.M.

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(4). An oil and gas lease dated May 14, 1953, from Leo Keck and Mildred Keck, his wife, Lessors, to Denman Brothers, a firm composed of Arthur G. Denman and John Denman, Jr., Lessees, recorded in Book 19 of Leases at Page 21, insofar as said lease covers the following described real estate, to wit:

The North Half of the Northeast Quarter of the
Southeast Quarter of Section 23, Township 34
South, Range 11, East of the 6th P.M.

(5). An oil and gas lease dated February 26, 1903, from W. L. Alexander and M. A. Alexander, his wife, Lessors, to D. W. Longwell, Lessee, recorded in Book K of Miscellaneous Records at Page 90, insofar as said lease covers the following described real estate, to wit:

The West Half of the Northeast Quarter and the
East Half of the Northwest Quarter of Section
31, Township 34 South, Range 12, East of the
6th P.M.

(6). An oil and gas lease dated February 17, 1903, from Jere Ellexson and Mary A. Ellexson, his wife, Lessors, to D. W. Longwell, Lessee, recorded in Book K of Miscellaneous Records at Page 92, insofar as said lease covers the following described real estate, to wit:

The West Half of the Southeast Quarter of Section
36, Township 34 South, Range 11, East of the 6th
P.M.

(7). An oil and gas lease dated April 23, 1903, from H. C. Fleisher and Mary M. Fleisher, his wife, Lessors, to C. J. Burson, Lessee, recorded in Book H of Miscellaneous Records at Page 523, insofar as said lease covers the following described real estate, to wit:

The Southwest Quarter of Section 7, and the North
Half of the North Half of Section 18, Township 35
South, Range 10, East of the 6th P.M.

(8). An oil and gas lease dated November 15, 1911, from I. M. Newman and Amanda Newman, his wife, Lessors, to The Sterling Oil & Gas Company, Lessee, recorded in Book R of Miscellaneous Records at Page 195, insofar as said lease covers the following described real estate, to wit:

The East Half and the Southwest Quarter of the
Southeast Quarter of Section 12, Township 35 South,
Range 9, East of the 6th P.M., excepting $2\frac{1}{2}$ acres,
containing $117\frac{1}{2}$ acres, more or less; also the East
Half and the East Half of the West Half of Section
13, Township 35 South, Range 9, East of the 6th P.M.,
containing 420 acres, more or less; also the South-
west Quarter and the West Half of the Southeast
Quarter and the South Half of the North Half of
Section 18, Township 35 South, Range 10, East of the
6th P.M., containing 345 acres, more or less; also
3 acres of the Northwest Corner of the Southwest
Quarter of Section 7, Township 35 South, Range 10,
East of the 6th P.M., containing in all $885\frac{1}{2}$ acres,
more or less.

(9). An oil and gas lease dated February 17, 1903, from Sarah Pennell, Anna Sirbaugh and Wm. F. Sirbaugh, Lessors, to D. W. Longwell, Lessee, recorded in Book K of Miscellaneous Records at Page 88, insofar as said lease covers the following described real estate, to wit:

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Lots 1, 2, 7 and 8 of Section 1, Township 35
South, Range 11, East of the 6th P.M.

(10). An oil and gas lease dated February 4, 1903, from Oscar K. Spurlock and Cleller Spurlock, his wife, Lessors, to D. W. Longwell, Lessee, recorded in Book G of Miscellaneous Records at Page 585, insofar as said lease covers the following described real estate, to wit:

The Southwest Quarter of Section 31, Township
34 South, Range 12, East of the 6th P.M.

(11). An oil and gas lease dated July 21, 1983, from Alice M. Walter, Lessor, to John M. Denman Oil Co., Lessee, recorded in Book 57 of Leases at Page 58, insofar as said lease covers the following described real estate, to wit:

The Northwest Quarter of Section 3, Township
34 South, Range 11, East of the 6th P.M., lying
East of Deer Creek, excepting six (6) separate
tracts of land;

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 successors or assigns: That the Assignor is the lawful owner of and has good title to the interests above assigned in and to said leases, estates, rights and properties, free and clear from all liens, encumbrances or adverse claims: That said leases are valid and subsisting leases on the real estate 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, and that the Assignor will warrant and forever defend the same against all persons whomsoever, lawfully claiming or to claim the same.

EXECUTED this 1st day of April, 1986.

JOHN M. DENMAN OIL COMPANY,
a partnership

Mary D. Simpson
Mary D. Simpson

Paul Simpson, Jr.
Paul Simpson, Jr.

John H. Denman
John H. Denman

Susan Denman
Susan Denman

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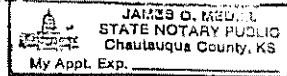
STATE OF KANSAS)
) SS
COUNTY OF CHAUTAUQUA)

BEFORE ME, the undersigned, a Notary Public, within and for said County and State, on this 15th day of MAY, 1986, personally appeared Mary D. Simpson and Paul Simpson, Jr., to me personally known to be the identical persons who executed the within and foregoing instrument and acknowledged to me that they executed the same as their 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:
8-21-86

James O. Medill
Notary Public -



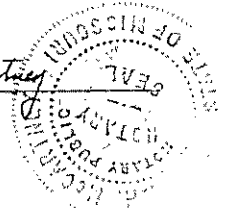
STATE OF MISSOURI)
) SS
COUNTY OF ~~GOLE~~ ST. LOUIS)

BEFORE ME, the undersigned, a Notary Public, within and for said County and State, on this 20th day of MAY, 1986, personally appeared John H. Denman and Susan Denman, to me personally known to be the identical persons who executed the within and foregoing instrument and acknowledged to me that they executed the same as their 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:
4/7/89

James H. McCartney
Notary Public -



JOHN M. WALL, ATTORNEY
Post Office Box 96
Sedan, Kansas 67361
(316) 725-3411

TRIBUNE PRINTING CO. Mid-Continent Association Form B (This Space Reserved for Filing Stamp)
Independence, Kansas

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, do hereby sell, assign, transfer and set over unto SAFE BRIDWELL AND KAYLA BRIDWELL

(hereinafter called Assignee), ALL THREE WORKING interest in and to the oil and gas lease dated FEBRUARY 26th 1903 from D. L. ALEXANDER AND M. A. ALEXANDER

WIS WIFE

to D. W. BRIDWELL

recorded in Book OF MISCELLANEOUS, page 50 insofar as said lease covers the following described land in CHAMPAIGN 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 32 Township 34S Range 12E and containing 160 acres, more or less together with the right incident thereto and the personal property thereon, appurtenant thereto, or used or obtained in connection therewith.

And to 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.

JOHN T. DAVIS PRESIDENT

STATE OF MISSOURI) ss. ACKNOWLEDGMENT FOR INDIVIDUAL (Kann. O.R.s. and Colo.)

COUNTY OF Franklin)

Before me, the undersigned, a Notary Public, within and for said County and State, on this

day of 18, 2008, personally appeared

and

to me personally known to be the identical person, who executed the within and foregoing instrument and acknowledged to me that

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

My commission expires

Notary Public

STATE OF Missouri) ss. ACKNOWLEDGMENT FOR CORPORATION

COUNTY OF Franklin)

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

a corporation of the State of KANSAS, personally known to me to be such officer, and to be the same person who executed 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

Notary Public

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

RECEIVED
KANSAS CORPORATION COMMISSION

FEB 10 2011

LEGAL SECTION

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

Lamia C. Reason
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

(6)

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, the 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
Mark Lee Bartholomew

Address: 1635 Cravens Lane
Carpinteria, CA 93013

Linda Susan Varela
Linda Susan Varela, formerly known as Linda
Susan Bartholomew

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

STATE OF CALIFORNIA

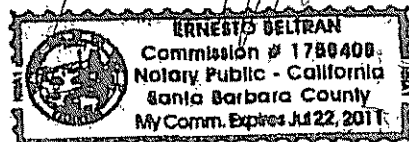
COUNTY OF Santa Barbara) SS

This instrument was acknowledged before me, this 10th day of March, 2009, by

Mark Lee Bartholomew.

My Commission Expires 7/22/2011

[Signature]
Notary

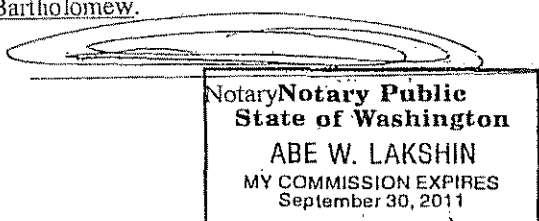


WASHINGTON
STATE OF CALIFORNIA) SS
COUNTY OF Santa Barbara

This instrument was acknowledged before me, this 1st day of April, 2009, by

Linda Susan Varela, formerly known as Linda Susan Bartholomew.

My Commission Expires 9/30/2011



(8)

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

STATE OF KANSAS }
Chautauqua 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
Kama Deason
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 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,

(10)

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)
) ss
COUNTY OF _____)

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

(12)

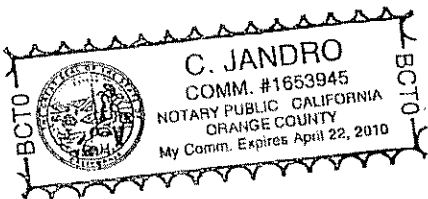
CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

County of ORANGE

On FEB 23, 2009 before me, C. JANDRO Notary Public
Date Here Insert Name and Title of the Officer

personally appeared CORINNE HARTLEY
Name(s) of Signer(s)



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 Document

Title or Type of Document: OIL & GAS LEASE

Document Date: 2/12/09 Number of Pages: 4

Signer(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

RETURN TO:
Gary Bridwell and Kayla Bridwell
Route 3, Box 345
Independence, KS 67301

STATE OF KANSAS }
Chautauqua County } ss \$12.00 ✓
This instrument was filed for
record this 1 day of April,
2010 at 9:55 o'clock AM and
duly recorded in book 147
of records on page 541
Laura C. Beeson
REGISTER OF DEEDS

OVERRIDING ROYALTY ASSIGNMENT

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned, Gary Bridwell and Kayla Bridwell, doing business as BLACK RAIN ENERGY, Route 3, Box 345, Independence, Kansas, 67301 (hereinafter called "Assignor"), for Ten Dollars (\$10.00) and other valuable consideration in hand paid, the receipt and sufficiency of which is hereby acknowledged, does hereby GRANT, BARGAIN, SELL, CONVEY, ASSIGN, TRANSFER, SET OVER and DELIVER unto JOHN M. DENMAN OIL CO., INC., (herein called "Assignee"), has and does hereby assign, transfer and convey unto ASSIGNEE, its heirs and assigns, an undivided 3% of 8/8 Overriding Royalty Interest in & to all oil, gas and other liquid and gaseous marketable hydrocarbons produced, saved and marketed from the following described land under the provisions of the following Oil & Gas Leases, or any extensions thereof, as an overriding royalty, free and clear of any cost and expense of the development and operation thereof, excepting taxes applicable to said interest and the production therefrom, from and upon the leases located in Chautauqua County, Kansas, as described to wit:

A) Oil and Gas Lease

Dated: February 12, 2009

Recorded: Book 147 Page 529

Lessor: Corinne Hartley, formerly known as Corinne West

Lessee: Gary Bridwell and Kayla Bridwell

Lands: Township 34 South, Range 12 East

Section 31 W/2 NE/4; and E/2 NW/4

B) Oil and Gas Lease

Dated: February 23, 2009

Recorded: Book 147 Page 534

Lessor: Mark Lee Bartholomew and Linda Susan Varela, formerly known as Linda Susan Bartholomew

Lessee: Gary Bridwell and Kayla Bridwell

Lands: Township 34 South, Range 12 East

Section 31 W/2 NE/4; and E/2 NW/4

This Assignment is made without warranty, express or implied, except that ASSIGNOR warrants as against any adverse liens, claims or encumbrances arising by, through or under ASSIGNOR, and except

that ASSIGNOR hereby assigns to ASSIGNEE the benefit of any warranty of title of ASSIGNOR'S predecessors in interest to the extent of the interests hereby assigned to ASSIGNEE.

IN WITNESS WHEREOF this instrument is executed this 30th day of March, 2010, 2009.

Assignor:

By: Gary Bridwell
Gary Bridwell

By: Kayla Bridwell
Kayla Bridwell

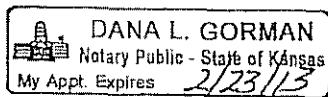
ACKNOWLEDGMENTS

STATE OF KANSAS)

COUNTY OF CHAUTAUQUA)

On this 30th day of March, 2010, before me, the undersigned notary public, personally appeared Gary Bridwell and Kayla Bridwell, known to me to be the persons whose names are subscribed to the within instrument, and acknowledged that said parties executed the same for the purposes therein contained.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.



[Signature]
Notary Public

My commission expires: _____

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

Rama C. Nelson
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 8/8ths 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

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.

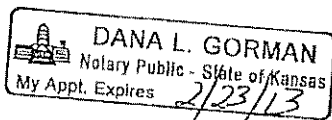
Kayla M. Bridwell
Kayla Bridwell

Gary 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:

[Signature]
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

Kansas Corporation Commission

Phone Memo

To: Denman Oil

From: Ryan M. Duling, TA Coordinator

Date: 3-21-2008

Received By: Wayne Bright

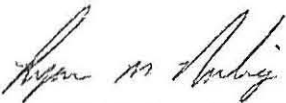
Subject: M.A. Alexander Lease

Discussion:

I discussed with Wayne Bright about the Alexander lease located in S31 – T24S – R12E in Chautauqua County, Kansas. Denman Oil has located all mineral interest owners on this lease and is in the process of getting a active valid lease. The lawyers are already in the process of doing the paperwork. As soon as this is accomplished, Denman Oil will begin producing this abandoned lease.

Action/Recommendations:

Follow-up to see when the paperwork is complete.



Ryan M. Duling TA Coordinator

(53)

KCC OIL/GAS REGULATORY OFFICES

Date: 04/30/08

District: 03

Case #: _____

☐ New Situation
☐ Response to Request
☐ Follow-Up

☒ Lease Inspection
☐ Complaint
☒ Field Report

Operator License No: 5723

API Well Number: _____

Op Name: Denman Oil

Spot: _____ Sec 31 Twp 34 S Rng 12 ☒ E / ☐ W

Address 1: 202 S Chautauqua

Feet from ☐ N / ☐ S Line of Section

Address 2: _____

Feet from ☐ E / ☐ W Line of Section

City: Sedan

GPS: Lat: _____ Long: _____ Date: _____

State: Kansas Zip Code: 67361 -1605

Lease Name: M.A. Alexander Well #: _____

Operator Phone #: (620) 725-3727

County: Chautauqua

Reason for Investigation:

To locate and GPS all abandoned wells.

Problem:

All wells located on this lease has been abandoned for several years. No TA's have been filed and no plugging agreement has been entered.

Persons Contacted:

Wayne Bright, supervisor for Denman Oil.

Findings:

I was able to locate and GPS 32 abandoned wells on this lease. Three of these wells possible could be plugged, however, I could not find any plugging reports. Majority, if not all, of these wells are not cemented up the backside and no equipment or pipe are down hole.

Action/Recommendations:

Follow Up Required ☒ Yes ☐ No ☐

Date: _____

Contact Mr. Bright and advise him to get started on putting this lease back into production or enter a plugging agreement with the State of Kansas.

Verification Sources:

☐ RBDMS ☐ KGS ☐ TA Program
☐ T-I Database ☐ District Files ☐ Courthouse
☐ Other: _____

Photos Taken: None

By: Ryan M. Duling
Ryan M. Duling, TA Coordinator

Retain 1 Copy District Office
 Send 1 Copy to Conservation Division

Form 02/22/2008

(54)

96° 10' 29.986" W
7° 4' 32.240" N

MA Alexander Lease: CQ CO S31 - T34S - R12E
Operator: Denman Oil
Compiled: 6-24-2008

MA Alexander Lease 31-34-12E CQ CO

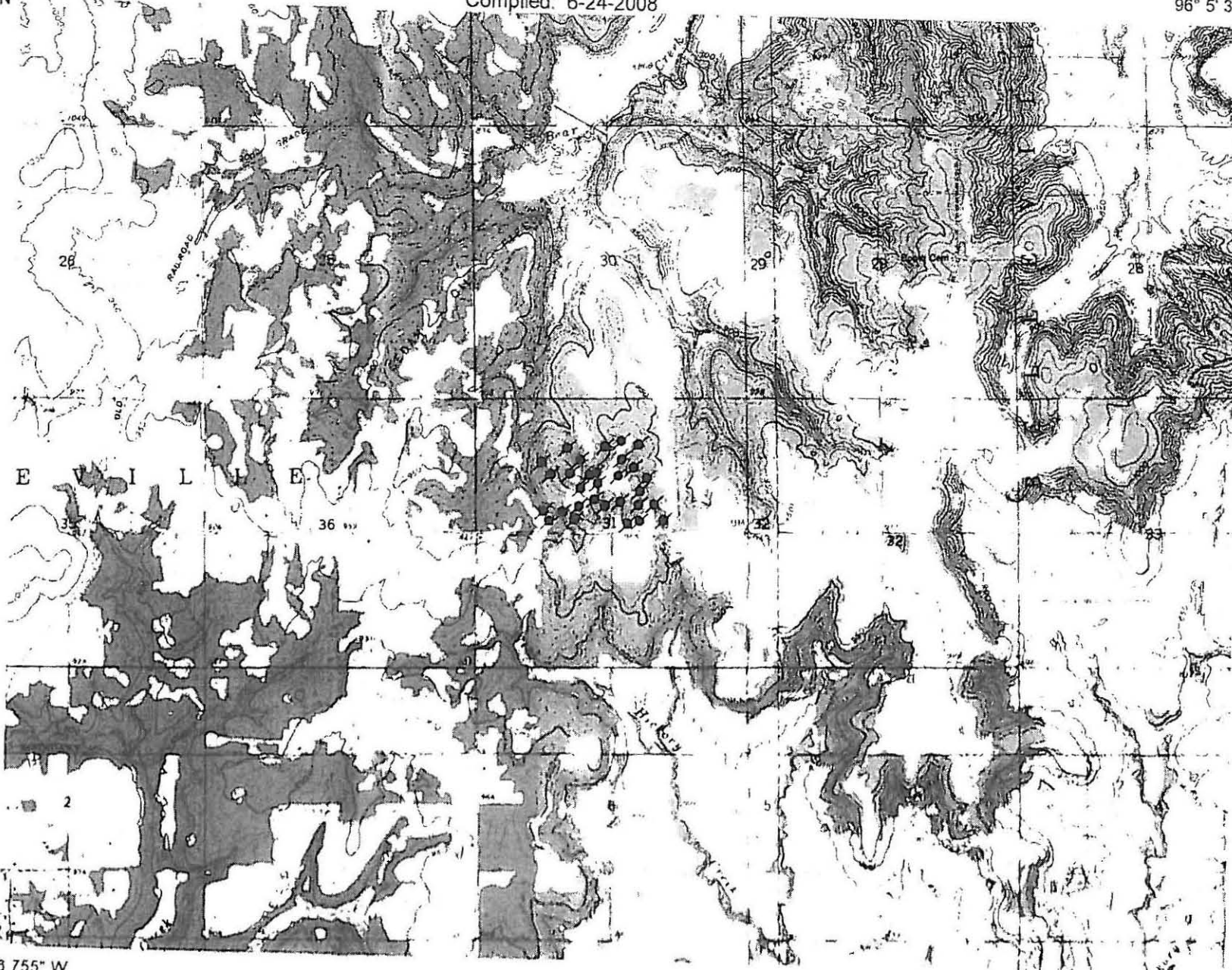
96° 5' 37.058" W
37° 4' 25.156" N

RECEIVED
KCC DISTRICT #3

JUL 3 2008

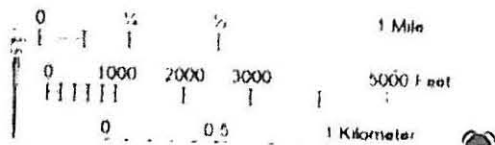
CHANUTE, KS

(52)



96° 10' 36.755" W
37° 1' 22.597" N

96° 5' 44.022" W



6/24/2008

Denman Oil #5723
202 S Chautauqua
PO Box 36
Sedan, KS 67361

Re: M.A. Alexander Lease
S31 – T34S – R12E
Chautauqua County, Kansas
At least 32 Abandoned Wells

Dear Operator:

I am writing this letter to inform you that I have located and GPS'd 32 abandoned well locations on the M.A. Alexander lease. Three of these well locations appear that they might have already been plugged, however, no plugging reports have been found to verify the pluggings. The remaining wells appear to have been abandoned for several years. Majority of the wells have 10-12" surface casing with various sizes of production strings. Most appear to have no cement around the production strings.

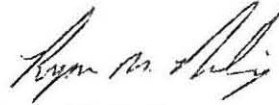
I have been in contact with Mr. Wayne Bright with Denman Oil for nearly a year now. The last contact I have had with Mr. Bright was on March 21, 2008, when I contacted him by phone. At this time, Mr. Bright informed me that he had contacted all the mineral interest owners and had lawyers wrapping up the paperwork with these interest owners. He informed me that everything should be taken care of in a couple of weeks and that they would begin restoring the lease to get it back into production and out of violations. I asked Mr. Bright if he had the appropriate manpower and equipment to get this lease back into total production. He informed me that they were equipped to begin this process but would have to acquire more pipe and jacks to restore the whole lease. I told him that beginning would be the first step and improvement would be a great start. Since this time, I have had no contact or updates from Mr. Bright.

As of June 18, 2008, this lease appears to be in the same shape as it was nearly a year ago. No activity or work has begun and all wells are still abandoned and unplugged. As of today, I am implementing a deadline that needs to be taken seriously. Denman Oil needs to have this lease back into production without any violations or enter a plugging agreement with the Kansas Corporation Commission by **July 28, 2008**, or fine and plugging recommendations will be carried forward.

Denman Oil
6/24/2008
page 2

As an employee of the Kansas Corporation Commission, I feel I have granted Denman Oil an enormous amount of time to deal with the problems on this lease. My first contacts with Mr. Bright began on August 31, 2007. Since that time, I have dropped by the office numerous times to visit with Mr. Bright and have also contacted Mr. Bright on the phone and discussed the issues at hand. The last contact on March 21, 2008, I informed him that action needed to begin because nothing has been done since the first visit we had last August. The deadline stated previously in this letter will stand as a final deadline to correct the problems and concerns on this lease. I hope you will take this matter seriously. If you have any questions on this matter, you can contact me at the number listed below.

Very truly yours,



Ryan M. Duling
TA Coordinator

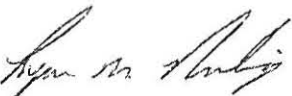
cc: File
Compliance Officer

(56)

6/27/2008

Re: M.A. Alexander Lease
S31 - T34S - R12E
Chautauqua County, Kansas
At least 32 Abandoned Wells

Wayne Bright, supervisor with Denman Oil, and Gary Bridwell, operator, came to the office and visited with me about the M.A. Alexander lease. Mr. Bright informed me that Mr. Bridwell was wanting to take over this lease. Mr. Bright wanted to meet with me to help Mr. Bridwell understand that the KCC is wanting immediate action taken on this lease and if he agreed to accept this lease that he would be the one reliable for putting the lease back into production or enter plugging agreement with the State of Kansas. Mr. Bridwell said he understood the consequences and was ready to begin work on the Alexander lease right a way. I explained to both Mr. Bright and Mr. Bridwell that the KCC did not care or control the person to get this lease back into production but wanted both of them to know that a short timetable would be expected. I told Mr. Bridwell that if went through with the transfer of this lease that I would expect improvement to begin immediately. I also told him that if improvement continued throughout the lease inspections that I would be making that I wouldn't pressure him. However, if little or no improvements are made during a timeframe that work could be done, that I would set a timetable and if the lease was not back into production by that time, I would refer it to our Compliance officer for fine recommendations and push for a plugging agreement.



Ryan M. Duling, TA Coordinator

KCC OIL/GAS REGULATORY OFFICES

Date: 07/23/08

District: 03

Case #: _____

- ☐ New Situation
☐ Response to Request
☒ Follow-Up

- ☒ Lease Inspection
☐ Complaint
☒ Field Report

Operator License No: 30916

API Well Number: _____

Op Name: Bridwell, Kayla & Gary

Spot: _____ Sec 31 Twp 34 S Rng 12 ☒ E / ☐ W

Address 1: RR 3

Feet from ☐ N / ☐ S Line of Section

Address 2: Box 345

Feet from ☐ E / ☐ W Line of Section

City: Independence

GPS: Lat: _____ Long: _____ Date: _____

State: Kansas Zip Code: 67301 -9315

Lease Name: M.A. Alexander Well #: _____

Operator Phone #: (620) 331-0194

County: Chautauqua

Reason for Investigation:

To see if Mr. Bridwell has began any improvements on this lease.

Problem:

Denman Oil transfered the Alexander lease to Mr. Bridwell on July 1, 2008.

Persons Contacted:

No one at this time.

Findings:

I inspected the lease and found that Mr. Bridwell has began installing new tank batteries and rocking a pad for the new tank site. It has only been a short timeframe since Mr. Bridwell has taken over the lease, so any improvements are a good sign.

Action/Recommendations:

Follow Up Required ☒ Yes ☐ No ☐

Date: _____

No action or recommendations are needed at this time. Will follow-up with another inspection in a month or two to see how Mr. Bridwell is coming along.

Verification Sources:

- | | | |
|---------------------------------------|---|-------------------------------------|
| <input type="checkbox"/> RBDMS | <input type="checkbox"/> KGS | <input type="checkbox"/> TA Program |
| <input type="checkbox"/> T-I Database | <input type="checkbox"/> District Files | <input type="checkbox"/> Courthouse |
| <input type="checkbox"/> Other: _____ | | |

Photos Taken: 0

By: Ryan M. Duling

Ryan M. Duling, TA Coordinator

Retain 1 Copy District Office
Send 1 Copy to Conservation Division

Form 02/22/2008

(58)

KCC OIL/GAS REGULATORY OFFICES

Date: 09/19/08

District: 03

Case #: _____

- ☐ New Situation
☐ Response to Request
☒ Follow-Up

- ☒ Lease Inspection
☐ Complaint
☒ Field Report

Operator License No: 30916

API Well Number: _____

Op Name: Bridwell, Kayla & Gary

Spot: _____ Sec 31 Twp 34 S Rng 12 ☒ E / ☐ W

Address 1: RR 3

Feet from ☐ N / ☐ S Line of Section

Address 2: Box 345

Feet from ☐ E / ☐ W Line of Section

City: Independence

GPS: Lat: _____ Long: _____ Date: _____

State: Kansas Zip Code: 67301 -9315

Lease Name: M.A. Alexander Well #: _____

Operator Phone #: (620) 331-0194

County: Chautauqua

Reason for Investigation:

To see if Mr. Bridwell has made any improvements on this lease.

Problem:

Lease has been abandoned several years.

Persons Contacted:

Gary Bridwell, operator.

Findings:

I inspected the lease and found that Mr. Bridwell has had no improvements from the last inspection I had on July 23, 2008. The only improvements done was the new tank site and 3 pumpjacks sitting next to the well heads. No pipe has been ran down the wells and no electric to them. He just set the jacks there. I contacted Mr. Bridwell and asked why nothing had really been done. He stated that the weather had caused delay and he was getting ready to begin again. I told him that he needed to get started with this lease or I would have to implement a deadline for final improvements. He said he would begin as soon as he could.

Action/Recommendations:

Follow Up Required ☒ Yes ☐ No ☐

Date: _____

No action or recommendations are needed at this time. Will follow-up with another inspection in a month or two to see how Mr. Bridwell is coming along.

Verification Sources:

- | | | |
|---------------------------------------|---|-------------------------------------|
| <input type="checkbox"/> RBDMS | <input type="checkbox"/> KGS | <input type="checkbox"/> TA Program |
| <input type="checkbox"/> T-I Database | <input type="checkbox"/> District Files | <input type="checkbox"/> Courthouse |
| <input type="checkbox"/> Other: _____ | | |

Retain 1 Copy District Office
 Send 1 Copy to Conservation Division

Photos Taken: 0

By: Ryan M. Duling
 Ryan M. Duling, TA Coordinator

Form 02/22/2008

(59)

KCC OIL/GAS REGULATORY OFFICES

Date: 11/05/08

District: 03

Case #: _____

☐ New Situation
☐ Response to Request
☒ Follow-Up

☒ Lease Inspection
☐ Complaint
☒ Field Report

Operator License No: 30916

API Well Number: _____

Op Name: Bridwell, Kayla & Gary

Spot: _____ Sec 31 Twp 34 S Rng 12 ☒ E / ☐ W

Address 1: RR 3

Feet from ☐ N / ☐ S Line of Section

Address 2: Box 345

Feet from ☐ E / ☐ W Line of Section

City: Independence

GPS: Lat: _____ Long: _____ Date: _____

State: Kansas Zip Code: 67301 -9315

Lease Name: M.A. Alexander Well #: _____

Operator Phone #: (620) 331-0194

County: Chautauqua

Reason for Investigation:

To see if Mr. Bridwell has made any improvements on this lease.

Problem:

Lease has been abandoned several years.

Persons Contacted:

Gary Bridwell, operator.

Findings:

I inspected the lease and found that Mr. Bridwell has had no improvements from the last inspection I had on September 19, 2008. At this time I contacted Mr. Bridwell and discussed the problem that no improvements have been made. Mr. Bridwell said that he had just gotten off the phone with a gentleman about pipe and he had already made plans to begin running pipe at the beginning of next week. I told Mr. Bridwell that this is the last inspection I will have without improvements. The next inspection will show improvements or a timetable will be set.

Action/Recommendations:

Follow Up Required ☒ Yes ☐ No ☐

Date: _____

No action or recommendations are needed at this time. Will follow-up with another inspection in a month or two to see how Mr. Bridwell is coming along.

Verification Sources:

☐ RBDMS ☐ KGS ☐ TA Program
☐ T-I Database ☐ District Files ☐ Courthouse
☐ Other: _____

Photos Taken: 0

By: Ryan M. Duling
Ryan M. Duling, TA Coordinator

Retain 1 Copy District Office
 Send 1 Copy to Conservation Division

Form: 02/22/2008

(60)

KCC OIL/GAS REGULATORY OFFICES

Date: 12/05/08

District: 03

Case #: _____

- ☐ New Situation
☐ Response to Request
☒ Follow-Up

- ☒ Lease Inspection
☐ Complaint
☒ Field Report

Operator License No: 30916

API Well Number: _____

Op Name: Bridwell, Kayla & Gary

Spot: _____ Sec 31 Twp 34 S Rng 12 ☒ E / ☐ W

Address 1: RR 3

Feet from ☐ N / ☐ S Line of Section

Address 2: Box 345

Feet from ☐ E / ☐ W Line of Section

City: Independence

GPS: Lat: _____ Long: _____ Date: _____

State: Kansas Zip Code: 67301 -9315

Lease Name: M.A. Alexander Well #: _____

Operator Phone #: (620) 331-0194

County: Chautauqua

Reason for Investigation:

To see if Mr. Bridwell has made any improvements on this lease.

Problem:

Lease has been abandoned several years.

Persons Contacted:

Tried to contact Gary Bridwell by phone. No answer.

Findings:

I inspected the lease and found that Mr. Bridwell has had no improvements from the last inspection I had on November 5, 2008. When I spoke with Mr. Bridwell last November he had stated that he was going to be running pipe and setting jacks beginning on 11/10/2008. He had everything lined up and was going to get started immediately. To this date no improvements have been made.

Action/Recommendations:

Follow Up Required ☒ Yes ☐ No ☐

Date: _____

I will conduct one more inspection later this month. If no improvements are made, I will refer this matter to the the District #3 compliance officer.

Verification Sources:

- ☐ RBDMS ☐ KGS ☐ TA Program
☐ T-I Database ☐ District Files ☐ Courthouse
☐ Other: _____

Photos Taken: 0

By: Ryan M. Duling
Ryan M. Duling, TA Coordinator

Retain 1 Copy District Office
 Send 1 Copy to Conservation Division

Form: 02/22/2008

KCC OIL/GAS REGULATORY OFFICES

Date: 12/29/08

District: 03

Case #: _____

- ☐ New Situation
☐ Response to Request
☒ Follow-Up

- ☒ Lease Inspection
☐ Complaint
☒ Field Report

Operator License No: 30916

API Well Number: _____

Op Name: Bridwell, Kayla & Gary

Spot: _____ Sec 31 Twp 34 S Rng 12 ☒ E / ☐ W

Address 1: RR 3

Feet from ☐ N / ☐ S Line of Section

Address 2: Box 345

Feet from ☐ E / ☐ W Line of Section

City: Independence

GPS: Lat: _____ Long: _____ Date: _____

State: Kansas Zip Code: 67301 -9315

Lease Name: M.A. Alexander Well #: _____

Operator Phone #: (620) 331-0194

County: Chautauqua

Reason for Investigation:

To see if Mr. Bridwell has made any improvements on this lease.

Problem:

Lease has been abandoned several years.

Persons Contacted:

No one at this time.

Findings:

I inspected the lease and found that Mr. Bridwell has had no improvements from the last inspection I had on December 5, 2008. No improvements have been made for approximately 6 months. Mr. Bridwell has not kept his verbal commitment in getting this lease back into production or entering a plugging agreement with the Stat of Kansas.

Action/Recommendations:

Follow Up Required ☒ Yes ☐ No ☐

Date: _____

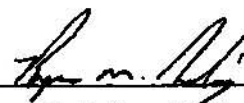
Send all information obtained for this lease to the District #3 compliance officer.

Verification Sources:

<input type="checkbox"/> RBDMS	<input type="checkbox"/> KGS	<input type="checkbox"/> TA Program
<input type="checkbox"/> T-I Database	<input type="checkbox"/> District Files	<input type="checkbox"/> Courthouse
<input type="checkbox"/> Other: _____		

Retain 1 Copy District Office
 Send 1 Copy to Conservation Division

Photos Taken: 0

By: 
Ryan M. Duling, TA Coordinator

Form: 02/22/2008

NOTICE OF VIOLATIONS

December 30, 2008

Gary Bridwell #30916
RR3 Box 345
Independence, Kansas 67301

Re: Alexander lease Located in Section 31, Township 24 South, Range 12 East, Chautauqua County, Kansas.

Mr. Bridwell:

Please review the attached documents concerning the Alexander lease. Ryan Duling has been working on the compliance issues for quite a long time, he has the attached phone memo from March 21, 2008 with Wayne Bright and then filed the attached field report dated April 30, 2008 concerning the (32) abandoned wells on this lease. June 24, 2008 Ryan sent the attached letter to Denman Oil and then June 27, 2008 Ryan met You and Wayne Bright at the District #3 office to discuss the Alexander lease and you took control of the lease and agreed to get numerous wells into production.

Ryan went to the Alexander lease on July 23, 2008 to inspect the progress on the lease since you acquired it on July 01, 2008. Ryan found that you had installed a new tank battery and that he would follow up on the inspection in about a month. Ryan returned to the Alexander lease on September 19, 2008 to find that nothing had been done since his last visit except that (3) pumpjacks had been moved on to the lease. Ryan contacted you by phone and you told him that the weather had caused the delay of getting the wells into production, he told you that he would check back in about a month.

Ryan went back to the Alexander lease on November 05, 2008 and filed the attached field report to document that nothing had been done since his last visit in September, he called you and you told him that you had just got off the phone with someone that was going to start working on the wells the very next week, Ryan told you he would be back in another month. Ryan went back to the Alexander lease on December 05, 2008 to find that nothing had been done, he tried to contact you by phone and got no answer, he filed the attached field report stating that nothing had been done on the lease. December 29, 2008 Ryan Duling went to the Alexander lease to check to see

if any progress had been made on the lease, he filed the attached field report and turned all the information over to me requesting that I try one final attempt to resolve the compliance issues with out recommending costly fines and having a hearing in Wichita with the Commissioners concerning the (32) abandoned wells. You said in the meeting at the District #3 Office with Mr. Bright and Ryan Duling, that you had the equipment, manpower and resources to get this lease back into production, immediately. We want to give you one last chance to resolve this matter and I think that Ryan has been more than patient, it has been (6) months and none of the wells are in production. We have decided that you will need to present us a written proposal, with a specific number of wells per month that you will either put into production or plug on the Alexander lease. We want the written proposal, signed by you within (15) days. If the proposal is accepted, it will be effective February 01, 2009.

The deadline will be January 15, 2009. If you do not submit the written proposal to us, by January 15, 2009 we will make a written agreement for you and send it to you to be effective February 01, 2009. This is the last resort before we recommend fines and request a show cause hearing before the Commissioners. I appreciate your cooperation with this matter. If you have any questions please call (620)432-2301.

Sincerely,

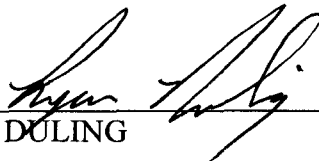


John Almond P.I.R.T. III
Compliance Officer

VERIFICATION OF RYAN DULING

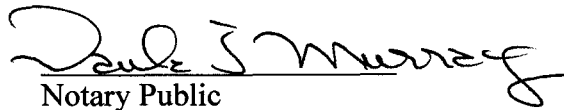
STATE OF KANSAS)
) ss:
COUNTY OF NEOSHO)

Ryan Duling, being first duly sworn, deposes and says that he is the Ryan Duling referred to in the foregoing document entitled "Prefiled Testimony of Ryan Duling" in Docket No. 11-CONS-253-CSHO before the State Corporation Commission of the State of Kansas and the statements and attached exhibits therein were prepared by him or under his direction and are true and correct to the best of his information, knowledge and belief.



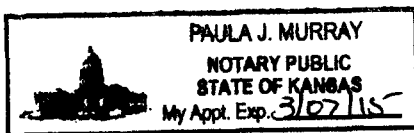
RYAN DULING

SUBSCRIBED AND SWORN to before me on this 25 day of August, 2011.



Notary Public

My Commission expires:



**THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

Before Commissioners: Mark Sievers, Chairman
 Ward Loyd
 Thomas E. Wright

In the Matter of an Order to Show Cause on)	Docket No. 11-CONS-253-CSHO
the Commission's own Motion issued TSCH,)	
LLC, Gary and Kayla Bridwell d/b/a Black)	
Rain Energy, and John M. Denman Oil Co.,)	
Inc., with regard to responsibility under)	CONSERVATION DIVISION
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)	
Northeast Quarter of Section 31, Township 34)	License No. 34407 (Expired)
South, Range 12 East, Chautauqua County,)	License No. 30916
Kansas.)	License No. 5729
)	

CERTIFICATE OF SERVICE

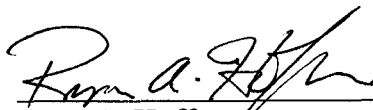
I hereby certify that on August 26, 2011, I caused a true and correct copy of the foregoing "Prefiled Testimony of Ryan Duling" to be served by placing the same in the United States mail, postage prepaid, to the following parties:

Charles L. Hoffman, Jr.
TSCH, LLC
480 Mars Way
Juno Beach, Florida 33408-1909

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Ryan A. Hoffman
Litigation Counsel
Kansas Corporation Commission