

Kansas Prod 88 (Rev 9/99)
(Paid-up/Pooling)

OIL AND GAS LEASE

This Oil, Gas, and Mineral Lease (the "Lease") is dated July 29, 2008 (the "Effective Date"). The parties to this Lease are Merlin D. and Julia M. Skibbe, husband and wife, as Lessor (whether one or more), whose address is 1117 S. Hillside, South Haven, KS 67140 and McGinness Oil Company of Kansas, Inc., as Lessee, whose address is 1551 N. Waterfront Parkway, Suite 150, Wichita, KS 67206.

1. For the consideration of Ten Dollars (\$10.00) and other valuable consideration, the receipt of which Lessor acknowledges, and the covenants and agreements of Lessee in this Lease, Lessor grants, demises, leases and lets exclusively to Lessee, the lands described below (the "Lands"), for the purposes of mining, exploring by geological, geophysical and other methods, operating for, producing, and taking care of, removing and selling all oil, gas, and all of the products of oil and gas, with rights of way and easements for laying pipelines, and the erection of structures necessary or convenient to produce, save, store, make merchantable and transport all the oil or gas produced from the Lands or any adjacent lands. The Lands covered by this Lease are located in Sumner County, Kansas, and are described as follows:

Lots One and Two (Lots 1 & 2) aka N/2 NE/4 of Section 3, Township 34S, Range 1 East

The Lands are deemed to contain 80 acres, more or less and shall include any lands of Lessor in the same survey or adjacent surveys.

2. This Lease shall remain in full force and effect for a primary term of three (3) years (the "Primary Term") from the Effective Date, and as long thereafter as oil, gas or the products of oil or gas are produced from the Lands or leases or lands pooled with the Lands, or drilling or reworking operations are continued as provided in this Lease.

3. This is a **PAID-UP LEASE**. For the consideration paid to Lessor, Lessee is not obligated to commence or continue any operations on the Lands during the Primary Term, or to make any rental payments during the Primary Term. Lessee may at any time or times during or after the Primary Term surrender this Lease as to all or a portion of the Lands by delivering to Lessor, or by filing for record in the county where the Lands are located a release or releases of the Lease, and then be relieved of all accruing obligations as to the portion of the Lands surrendered. The Lease shall continue in force and effect as to all of the Lands not surrendered.

4. Lessee agrees to pay Lessor a royalty on production as follows:

a. Lessee shall deliver to the credit of Lessor as royalty, free of cost, in the pipeline to which Lessee may connect its wells, or into Lessee's storage tanks a one-eighth (1/8) part of all oil produced and saved from the Lands. At Lessee's option, Lessee may pay to Lessor as royalty one-eighth (1/8) of the proceeds of the sale of oil at the storage tanks.

b. Lessee shall pay Lessor, as royalty on gas sold from each well, one-eighth (1/8) of the proceeds if gas is sold at the well, or if marketed by Lessee off the Lands, one-eighth (1/8) of the value received for the gas sold off the Lands.

c. Lessee shall pay Lessor one-eighth (1/8) of the proceeds received by Lessee from the sale of casinghead gas produced from any oil well and one-eighth (1/8) of the value, at the mouth of the well, computed at the prevailing market price, of the casinghead gas produced from any oil well and used by Lessee off the Lands for any purpose or used on the Lands by Lessee for purposes other than the development and operation of the Lease.

d. Lessee will pay Lessor one-eighth (1/8) of the proceeds from the sale of all other products of oil and gas not provided for above. In no event, in the payment of proceeds for royalty, shall Lessee ever be obligated to pay to Lessor, a sum greater than one-eighth (1/8) of the sum Lessee actually receives for the sale of oil and/or gas or other products.

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~~At any time, there is a gas well (one or more), on the Lands, or acreage pooled with the Lands, whether before or after the Primary Term, and the well is shut-in, with no other production, drilling operations or other operations being conducted on the Lands capable of maintaining this Lease in force under any of its provisions, Lessee shall pay Lessor as royalty the sum of One Dollar (\$1.00) per year per acre for each acre of the Lands then subject to this Lease. This payment is to be made on or before the anniversary date of this Lease following the expiration of 120 days from the date the well is shut-in, and thereafter on the anniversary date of this Lease during the period the well is shut-in. When the payment is made it shall be considered that this Lease is maintained in full force and effect until production resumes or the next shut-in royalty payment is due.~~

6. If the Lessor owns a lesser interest in the Lands than the entire and undivided fee simple estate in the minerals, the royalties (including any shut-in gas royalty) shall be paid to Lessor only in the proportion which Lessor's interest in the Lands bear to the whole and undivided fee simple in the Lands.

7. Despite anything in this Lease to the contrary, Lessor expressly agrees that if Lessee commences operations for drilling a well at any time while this Lease is in force, this Lease shall remain in force and its term shall continue as long as the operations are prosecuted as provided in this paragraph 7. If production results from the well, this Lease shall remain valid and in force as long as production continues from the Lands.

8. If at the expiration of the Primary Term oil, gas or the products of oil and gas are not being produced but Lessee is engaged in drilling or reworking operations on the Lands, this Lease shall continue in force so long as those operations are being continuously prosecuted on the Lands. Drilling Operations shall be considered to be continuously prosecuted if not more than 60 days elapse between the completion or the abandonment of one well and the beginning of operations for the drilling of a subsequent well. If after the discovery of oil or gas or the products of oil or gas on the Lands or on acreage pooled with the Lands, production should cease, from any cause, after the Primary Term, this Lease shall not terminate if Lessee commences additional drilling or reworking operations within one hundred twenty (120) days from the date of cessation of production, or from the date of completion of a dry hole. If oil, gas or the products of oil or gas are discovered and produced as a result of operations at or after the expiration of the Primary Term, this Lease shall continue in force so long as oil, gas, or the products of oil or gas are produced from the Lands.

9. Lessor grants Lessee the right to use, free of cost, gas, oil, and water produced on or from the Lands, for Lessee's operations, except water from Lessor's wells. When requested by the owner of the surface of the Lands, Lessee will bury pipelines across cultivated lands below normal plow depth. No well shall be drilled nearer than 200 feet to any house or barn located on the Lands as of the Effective Date of this Lease without the written consent of Lessor. Lessee will pay for damages caused by Lessee's operations to growing crops on the Lands. Lessee shall have the right, at any time, and the obligation, to remove all machinery, equipment, and fixtures placed on the Lands, including the right to draw and remove casing.

10. The rights of Lessor and Lessee may be assigned in whole or in part. However, no change in ownership of Lessor's interest in the Lands shall be binding on Lessee until 60 days after Lessee has been furnished with written notice, accompanied by certified copies of all recorded instruments or documents and other information necessary to establish a complete chain of title to Lessor's interest, and then only with respect to payments made after Lessee's actual receipt of the notice. No other notice of any kind, actual or constructive, shall be binding on Lessee. No present or future division of Lessor's ownership as to different portions or parcels of the Lands shall operate to enlarge the obligations or diminish the rights of Lessee. All of Lessee's operations may be conducted without regard to any division of ownership by Lessor. If all or any part of this Lease is assigned by Lessee, no leasehold owner shall be liable for any act or omission on the part of any other leasehold owner.

~~Lessee is granted, at its option, the right and power to voluntarily pool or combine all of the Lands covered by this Lease, as to either oil, gas, or both, with any other lands, or leases adjacent to the Lands when, in Lessee's judgment, it is necessary or advisable to do so to properly develop and operate the combined lands as a unit or units. Lessee may pool the Lands forming units not exceeding forty (40) acres for an oil well, plus a tolerance of 10%, and not exceeding 640 acres for a gas well, plus a tolerance of 10%, except that if larger units are required or permitted under any governmental rule or order for the drilling or operation of a well at a regular location, or for obtaining the maximum production allowable from any well drilled or to be drilled, larger units may be formed. Lessee, or Lessee's designee, shall execute and record in the county where the Lands are located an instrument identifying and describing the lands included in a unit. All acreage pooled into a unit shall be treated for all purposes, except the payment of royalty, as if it were included in this Lease, and drilling or reworking operations on any land in a unit or production of oil or gas, or the completion of a well as a shut-in gas well, shall be considered for all purposes, except the payment of royalty, as if the operation were on, production is from, or the completion was on the Lands covered by this Lease, whether or not the well or wells on the unit are located on the Lands covered by this Lease. In lieu of the royalty or shut-in gas royalty provided above, Lessor shall receive from production from a unit a portion of the royalty provided in this Lease as the amount, in acres, of the Lands included in the unit or the Lessor's royalty interest in the Lands included in the unit, bears to the total amount of acreage included in a unit.~~

At Lessee's discretion, or in the absence of production, Lessee or Lessee's designee may terminate any unit by filing in the county records a notice of termination of the unit.

12. All express or implied covenants of this Lease shall be subject to all federal and state laws, executive orders, rules, or regulations of governmental bodies having jurisdiction. This Lease shall not terminate in whole or in part, nor shall Lessee be held liable in damages, for failure to comply with any Lease terms if compliance is prevented as the result of any law, order, rule, or regulation.

Lessor expressly warrants and agrees to defend the title to the Lands and agrees Lessee shall have the right at any time to redeem for Lessor, by payment, any mortgages, taxes, or other liens on the Lands in the event of failure of payment by the Lessor, and Lessee shall be subrogated to the rights of the holder of any mortgage, taxes or other liens. Lessee may reimburse itself for payments out of any royalties or rentals payable to a Lessor for any amounts paid by Lessee for Lessor for or on any mortgage, taxes, or liens.

13. All the provisions of this Lease shall be binding on the heirs, successors, assigns, and legal representatives of the Lessor and Lessee.

14. Lessee and/or assigns further agree to restore the surface as nearly as possible to its original contour upon completion of drilling operations, including backfilling all pits when dried and restoring terraces disturbed by operations.

15. Lessee, or assigns, agrees to consult with Lessor regarding routes of ingress and egress prior to commencing operations.

This Lease is executed by Lessor as of the date of acknowledgment of Lessor's signature, but shall be effective for all purposes as of the Effective Date stated above.

Witnesses:

as Lessor
Madlin D. Skibbe

Madlin D. Skibbe
Julia M. Skibbe

Julia M. Skibbe
509-40-5818

Social Security Number
513-44-6160

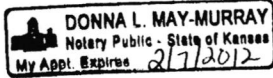
Individual Acknowledgment

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STATE OF Kansas
COUNTY OF Sedgewick

Before me, the undersigned, a Notary Public, within and for said county and state, on this 28th day of July, 2008, personally appeared Meelin D. Skibbe and Patricia M. Skibbe, to me personally known to be the identical person(s) who executed the within and foregoing instrument and acknowledged to me that (he/she/they) executed the same as (his/her/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.



Donna L. May-Murray
Notary Public in and for the State of Kansas
Printed Name: Donna L. May-Murray
Commission Expires: 2/7/2012

Individual Acknowledgment

STATE OF _____
COUNTY OF _____

Before me, the undersigned, a Notary Public, within and for said county and state, on this _____ day of _____, personally appeared _____ and _____, to me personally known to be the identical person(s) who executed the within and foregoing instrument and acknowledged to me that (he/she/they) executed the same as (his/her/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.

Notary Public in and for the State of _____
Printed Name: _____
Commission Expires: _____

Corporate Acknowledgment

STATE OF _____
COUNTY OF _____

On this _____ day of _____, before me, the undersigned, a Notary Public in and for the county and state aforesaid, personally appeared _____, to me personally known to be the identical person who signed the name of the maker thereof to the within and foregoing instrument as its _____ and voluntary act and deed of said corporation, for the uses and purposes therein set forth.

Given under my hand and seal the day and year last above written.

Notary Public in and for the State of _____
Printed Name: _____
Commission Expires: _____

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ADDENDUM TO OIL & GAS LEASE—EXHIBIT "A"

1. There shall be no road construction or dirt removal without first consulting the Lessor. When requested by Lessor, the roads placed on said premises shall be located as requested in so far as practical and in keeping with good oil field practices. However, no road shall exceed twenty five feet in width, and such roadway shall not be oiled or graveled without the permission of the Lessor. All electrical lines placed on the described premises shall be located in such a manner that there shall be no interference with the movement of farm machinery.
2. There shall be no drilling operations on said premises until after the Lessor has been paid the sum of two hundred and fifty dollars (\$250.00), as advance and partial payment for site and road damaged for each well drilled upon the premises, pursuant to this oil and gas lease. This payment shall not foreclose Lessor from recovering additional damages if additional damages are sustained.
3. There shall be no drilling with saltwater without the expressed permission of the Lessor, and it is further understood and agreed by all parties hereto that after production casing has been set in a well, all subsequent swabbing on that well is to be done into a suitable tank and not into an earthen pit.
4. There shall be no core holes drilled upon the leased premises without the expressed permission of the Lessor.
5. In the event gas only is found, and where such gas it not being sold or used, Lessee shall pay Lessor, or pay to the Lessors credit in the depository bank named on the oil and gas lease to which this Exhibit A is attached, the sum of \$480.00 per year payable on or before the anniversary date of said lease following the primary term thereof. While such payments are being made in accordance with the terms herein above states, this lease shall be held as a producing lease, provided however, this shut-in gas payment privilege shall be limited to extending the oil and gas lease to which this Exhibit A is attached for a period not to exceed two(2) years beyond the termination of the primary term of said lease.
6. All tank batteries shall be located adjacent to existing roads, and the placement of such tank batteries, shall be done only after consulting with the Lessor on the agreed location of such tank battery.
7. All personal property not removed from the leased premises within ninety days after termination of this lease, such property shall be deemed abandoned and title thereto vested to the Lessor.
8. All pits shall be filled in by the Lessee or its assigns when no longer needed for lease purposes. All pits and wellsites shall be securely fenced sufficient to keep livestock out in the event livestock is being contained on the leased premises.
9. Upon cessation of production from any well, excepting (shut-in gas well) unless Lessee shall commence reworking operations within ninety(90) days on said well, said well shall be properly plugged in accordance with the Kansas Corporation Commission rules and regulations and the surface of the land shall be restored as nearly as practical to its natural state.

THIS ADDENDUM SHALL BE DEEMED TO BE A PART OF THE LEASE TO WHICH IT IS ATTACHED, AND EACH ITEM HEREIN SHALL BE DEEMED TO BE A MATERIAL PART OF THE CONSIDERATION BARGAINED FOR BY THE PARTIES. THIS LEASE AND THIS ADDENDUM SHALL BE BINDING UPON ALL ASSIGNEES OF LESSEE.

This Exhibit "A" is attached and made part of the Oil and Gas Lease dated July 29, 2008, by and between Merlin D. Skibbe and Julia M. Skibbe, husband & wife, as Lessor and McGinness Oil Company of Kansas, Inc., as Lessee, covering the Lots One and Two (Lots 1 & 2), a/k/a N/2 NE/4 of Section 3, Township 34 South, Range 1 East, Sumner County, Kansas, covering 80 acres more or less.

State of Kansas, Sumner County SS:
 Filed for record on the 1st Day of
 July 2008 at 8:28
 Book 768, Page 484
 M.D. Skibbe
 Joye A. Skibbe
 Registrar of Deeds