

OIL AND GAS LEASE

AGREEMENT, Made and entered into this ____ day of _____, **20**__, by and between _____
whose address is _____
_____ Party of the first part, hereinafter called LESSOR (whether one or more) and **Carroll Energy, LLC** whose address is **PO Box 766, Independence, KS 67301**. Party of the second part, hereinafter called LESSEE.

WITNESSETH, That the said LESSOR, for TEN DOLLARS (\$10.00) and other consideration, cash in hand paid, receipt of which is hereby acknowledged, and of the covenants and agreements hereinafter contained on the part of the LESSEE to be paid, kept and performed, has granted, demised, leased and let and by these presents does grant, demise, lease and let unto said LESSEE, for the sole and only purpose of mining and operating for oil and gas including gas from coalbed methane and from coal seams and all other formations and structures, and laying pipe lines, and building tanks, power stations and structures thereon to produce, save, and take care of said products, all that certain tract of land situated in the County of _____, State of **Kansas**, described as follows, to wit:

SEE EXHIBIT "A"

IT is agreed that this lease shall remain in full force for a term of ___ years from this date, and as long thereafter as oil or gas, or either of them, is produced from said land by the LESSEE in paying quantity. After the primary term hereof, cessation of production for One (1) year will result in the expiration of this lease, unless said production cessation shall be caused by the refusal of the gas purchaser to purchase gas from said lease. In such case this lease shall remain in full force and effect just as if there were production during such time as the gas purchaser continues to refuse gas from said lease.

LESSEE has the option to extend this lease for an additional term of _____ years from the expiration of the primary term of this lease, and as long thereafter as Leased Substances, or any of them, is produced from said land by the Lessee, its successors and assigns, said renewal to be under the same terms and conditions as contained in this lease. Lessee, its successors or assigns, may exercise this option to renew if on or before the expiration date of the primary term of this lease, Lessee pays or tenders to the Lessor or to the Lessor's credit, the sum of \$ _____ dollars per net mineral acre.

IN consideration of the premises the said LESSEE covenants and agrees:

FIRST: To pay LESSOR, free of cost, the equal one-eighth (1/8) part of the gross proceeds of oil sold from the leased premise, said payments to be made monthly.

SECOND: To pay LESSOR for gas, where gas is found and sold from the lease premises, the equal one-eighth (1/8) part of the gross proceeds at the mouth of the well, said payments to be made monthly.

THIRD: To pay LESSOR for gas used off the premises or in the manufacture of casing-head gasoline, one-eighth (1/8) of the gross proceeds, at the prevailing market rate for the gas used, for the time during which such gas shall be used, said payments to be made monthly.

FOURTH: To permit LESSOR the free use of gas or casing-head gas from wells producing or capable of producing such substances, for domestic purposes in the principal dwelling house on said land. LESSOR shall make all connections from the wellhead and shall take such gas or casing-head gas at his own risk and expense.

IF said LESSOR owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties, rentals, bonuses and payments herein provided shall be paid the LESSOR only in the proportion which his interest bears to the whole and undivided fee, and the signing of this agreement shall be binding on each of the above named parties who sign, regardless of whether it is signed by any of the other parties.

LESSEE shall have the right to use, free of cost, gas, oil and water produced on said land for its operation thereon, **except** water from ponds, streams, or wells of the LESSOR.

WHEN requested by LESSOR, LESSEE shall bury his pipelines and electric lines below plow depth.

NO well shall be drilled nearer than 200 feet to the house, or barn now on said premises, without the written consent of the LESSOR.

LESSEE shall pay to LESSOR a one time drill site location fee of \$400.00 for each new well drilled under the terms of this Agreement as a liquidated damage fee for any damage it may cause to the land and/or to growing crops on said land from its operations.

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

IF the LESSEE shall commence to drill a well, or re-work an existing well, within the term of this lease or any extension thereof, the LESSEE shall have the right to drill such well or continue such re-work operations to completion with reasonable diligence and dispatch, and if oil or gas, or either of them, be found in paying quantities, this lease shall continue and be in force with the like effect as if such well had been completed within the term of years herein first mentioned.

IF any well capable of producing Leased Substances, including a well drilled and waiting on completion and hook-up, whether or not in paying quantities, located on said land or on lands pooled or unitized with all or part of said land, is at any time shut in and production therefrom is not sold or used on or off the leased premises, nevertheless such shut-in well shall be considered a well producing Leased Substances and this lease will continue in force while such well is shut in, notwithstanding expiration of the primary term. In lieu of any implied covenant to market, LESSEE expressly agrees to market oil and/or gas produced from LESSEE's well located on said lands or on lands pooled or unitized therewith, but LESSEE does not covenant or agree to reinject or recycle gas, to market such oil and/or gas under terms, conditions or circumstances which in LESSEE's judgment are uneconomic or otherwise unsatisfactory or to bear more than LESSEE's revenue interest share of the cost and expense incurred to make the production marketable. If all wells on said land, or on lands pooled or unitized with all or part of said land, are shut in, then within 60 days after expiration of each period of one year in length (annual period) during which all such wells are shut in, LESSEE shall be obligated to pay or tender to LESSOR at above address at above address via U.S. Mail on or before said date, as royalty, the sum of \$1.00 multiplied by the number of acres subject to this lease, provided, however, that if production from a well or, wells located on the leased premises or on lands pooled or unitized therewith is sold or used on or off the premises before the end of any such period, or if the leases is otherwise being maintained by operations, or if at the end of any such annual period this lease is being maintained in force and effect other than solely by reason of the shut-in well(s), LESSEE shall not be obligated to pay or tender said sum of money for that annual period. 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.

LESSOR conditionally grants to LESSEE an easement and right of way as provided herein. The use of such easement and right of way are conditioned upon LESSEE first paying or tendering to LESSOR the sum of TEN DOLLARS (\$10.00) per rod. Such payment or tender may be made at anytime while this Lease is in effect. Such easement and right of way are described as follows: LESSOR grants to LESSEE a strip of land three rods wide for the purpose of laying, constructing, operating, inspecting, maintaining, repairing, replacing and removing lines, pipes, equipment, machinery, electric lines and/or other appliances as LESSEE shall deem suitable for the operation of such a pipeline or pipelines for the transportation of water, brines, oil, gas and other substances, at a location or locations to be determined by LESSEE, on, in, over and through the land described hereinabove. The centerline of such easement and right of way shall be the center of the pipeline(s) and/or electric line(s) as actually laid. LESSEE will consult with LESSOR on course, route and direction of lines so as to minimize interference with surface use by LESSOR. Such pipeline(s) and electric line(s) shall be buried when reasonably possible below plow depth. LESSEE shall pay for damages to growing crops, fences or other structures of LESSOR that are caused by the construction, maintenance and operation of such pipeline(s) and electric line(s). LESSEE shall have the right of ingress and egress to and from the premises for all purposes necessary to exercise of the rights granted herein. This easement and right of way shall be construed as if conveyed by separate instrument, without regard to the oil and gas Lease or the term thereof; provided, however, that if use of such easement and right of way is not actually commenced within the term of said oil and gas Lease or extension or renewal thereof then this easement and right of way and all rights granted thereunder shall cease and terminate on the date said oil and gas lease expires. This easement and right of way are independent of, and in addition to; and are not a substitute for, the rights of LESSEE under said Lease, which rights are not hereby diminished or affected, it being understood that this easement and right of way provides for transporting products mentioned herein which may be produced, obtained, stored or transported upon or across lands adjacent thereto or in the vicinity thereof. The easement and right of way granted herein area covenant running with the land and shall extend to LESSEE and LESSEE's successors and assigns, and shall remain in force for the term of

said oil and gas Lease and as long thereafter as such easement and right of way are used by LESSEE, its successors and assigns, for the purposes herein mentioned.

LESSOR conditionally grants to LESSEE a license, easement and right of way as provided herein. The use of the license, easement and right of way described in this paragraph, are conditioned upon LESSEE first paying or tendering to LESSOR the sum of ONE THOUSAND DOLLARS (\$1,000.00) and a like amount annually on each twelve (12) month anniversary thereafter. The first such payment or tender may be made at any time while this Lease is in effect. If such payment is not timely made, this license, easement and right of way shall not terminate unless LESSEE fails to make or tender such payment within thirty (30) days after receipt of written notice of default given by LESSOR to LESSEE by certified mail, return receipt requested. Such license, easement and right of way are described as follows: LESSOR grants to LESSEE the right and license to use a newly drilled well or re-complete an existing well upon the above described land and to use same for disposing of waters, brines and other substances produced from wells upon lands adjacent to or in the vicinity of said land; together with an easement and right-of-way of approximately one (1) square acre around such well, the center of which shall be the borehole of the disposal well, and an easement and right of way on a strip of land three rods wide to install, repair, operate and remove such lines, pipes, pumps, equipment, machinery, electric lines and other appliances as LESSEE shall deem suitable for the operation of such disposal well. The centerline of said three-rod easement and right of way shall be the center of the pipeline(s) and/or electric line(s) as actually laid. LESSEE will consult with LESSOR on course, route and direction of lines and the location of new well(s) as to minimize interference with surface use by LESSOR. Any pipeline(s) and electric line(s) shall be buried when reasonably possible below plow depth. LESSEE shall pay for damages to growing crops, fences or other structures of LESSOR that are caused by the construction, maintenance and operation of such well, pipeline(s) and electric line(s). LESSEE shall have the right of ingress and egress to and from the premises for all purposes necessary to the exercise of the rights granted herein. LESSEE shall have the right at any time to remove from the disposal well any and all equipment associated therewith, it being understood that the same shall be and remain personal property, whether or not affixed to the realty; and upon cessation of use of said well, LESSEE shall clean up the area with reasonable diligence and dispatch, and shall restore the area as nearly as reasonably possible to its original condition. This license, easement and right of way shall be construed as if granted by separate instrument, without regard to the oil and gas Lease or the term thereof; provided, however, that if a disposal well is not commenced within the term of said oil and gas Lease or extension or renewal thereof then this license, easement and right of way and all rights granted thereunder shall cease and terminate on the date said oil and gas Lease expires. This license, easement and right of way are independent of, and in addition to, and are not a substitute for, the rights of LESSEE under said Lease, which rights are not hereby diminished or affected, it being understood that this license, easement and right of way provides for transportation and disposal of substances which may be produced, obtained, stored or transported upon or across lands adjacent thereto or in the vicinity thereof. The license, easement and right of way granted herein are a covenant running with the land and shall extend to LESSEE and LESSEE's successors and assigns, and shall remain in force for the term of said oil and gas Lease and as long thereafter as such license, easement and rights-of-way are used by LESSEE, its successors and assigns, for the purposes herein mentioned.

IF the estate of either party hereto is assigned, and the privilege of assigning in whole or in part is expressly allowed, the covenants hereof shall extend to their heirs, executors, administrators, successors or assigns, but no change in the ownership of the land or assignment of rentals or royalties shall be binding on the LESSEE until after the LESSEE has been furnished with a written transfer or assignment or a true copy thereof. If the leases premises are now or hereafter owned in severality or in separate tracts, the premises, never the less, may be developed and operated as an entirety, and the royalties shall be paid to each separate owner in the proportion that the acreage owned by him bears to the entire leased area. There shall be no obligation on the part of the LESSEE to offset wells on separate tracts into which the land covered by this lease may hereafter be divided by sale, devise, or otherwise, or to furnish separate measuring or receiving tanks for the oil and/or gas produced from such separate tracts.

SHOULD this lease be assigned as to a part or as to parts of the above described lands, by either party, and the assignee or assignees of such part or parts shall fail or make default in the payment of the part of the rents due from him or them, such default shall not operate to defeat or affect this lease in so far as it covers a part or parts of said lands upon which the said LESSEE or any assignee thereof shall make due payments of said rentals.

LESSOR hereby warrants and agrees to defend the title to the lands herein described, and agrees that the LESSEE shall have the right at any time to redeem for LESSOR by payment, any mortgages, taxes, or other liens on the above described lands, in the event of default of payment by LESSOR, and be subrogated to the rights of the holder thereof.

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 provision 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 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 and other lands operated in conjunction therewith.

WHEREOF Witness our hand as of the day and year first written above.

STATE OF _____)
) SS:
COUNTY OF _____)

BE IT REMEMBERED that on this ____ day of _____, **20**____, before me a Notary Public in and for the County and State aforesaid, _____ who is/are personally known to me to be the same person(s) who executed the above and foregoing Oil and Gas Lease and duly acknowledged the execution of the same as their own free and voluntary act and deed for said purposes.

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

MY commission expires: _____

Notary Public

Request for Taxpayer Identification Number and Certification

**Give form to the
requester. Do not
send to the IRS.**

Print or type See Specific Instructions on page 2	Name (as shown on your income tax return)	
	Business name, if different from above	
	Check appropriate box: <input type="checkbox"/> Individual/ Sole proprietor <input type="checkbox"/> Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Other ▶	
	<input type="checkbox"/> Exempt from backup withholding	
	Address (number, street, and apt. or suite no.)	Requester's name and address (optional)
	City, state, and ZIP code	
List account number(s) here (optional)		

Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on Line 1 to avoid backup withholding. For individuals, this is your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the Part I instructions on page 3. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN* on page 3.

Social security number									

or

Employer identification number									

Note. If the account is in more than one name, see the chart on page 4 for guidelines on whose number to enter.

Part II Certification

Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and
2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and
3. I am a U.S. person (including a U.S. resident alien).

Certification instructions. You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the Certification, but you must provide your correct TIN. (See the instructions on page 4.)

Sign Here	Signature of U.S. person ▶	Date ▶
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Purpose of Form

A person who is required to file an information return with the IRS, must obtain your correct taxpayer identification number (TIN) to report, for example, income paid to you, real estate transactions, mortgage interest you paid, acquisition or abandonment of secured property, cancellation of debt, or contributions you made to an IRA.

U.S. person. Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN to the person requesting it (the requester) and, when applicable, to:

1. Certify that the TIN you are giving is correct (or you are waiting for a number to be issued),
2. Certify that you are not subject to backup withholding, or
3. Claim exemption from backup withholding if you are a U.S. exempt payee.

In 3 above, if applicable, you are also certifying that as a U.S. person, your allocable share of any partnership income from a U.S. trade or business is not subject to the withholding tax on foreign partners' share of effectively connected income.

Note. If a requester gives you a form other than Form W-9 to request your TIN, you must use the requester's form if it is substantially similar to this Form W-9.

For federal tax purposes, you are considered a person if you are:

- An individual who is a citizen or resident of the United States,
- A partnership, corporation, company, or association created or organized in the United States or under the laws of the United States, or
- Any estate (other than a foreign estate) or trust. See Regulations sections 301.7701-6(a) and 7(a) for additional information.

Special rules for partnerships. Partnerships that conduct a trade or business in the United States are generally required to pay a withholding tax on any foreign partners' share of income from such business. Further, in certain cases where a Form W-9 has not been received, a partnership is required to presume that a partner is a foreign person, and pay the withholding tax. Therefore, if you are a U.S. person that is a partner in a partnership conducting a trade or business in the United States, provide Form W-9 to the partnership to establish your U.S. status and avoid withholding on your share of partnership income.

The person who gives Form W-9 to the partnership for purposes of establishing its U.S. status and avoiding withholding on its allocable share of net income from the partnership conducting a trade or business in the United States is in the following cases:

- The U.S. owner of a disregarded entity and not the entity,