

OIL AND GAS LEASE

(PAID-UP)

ST 1 OF KANSAS MONTGOMERY COUNTY
FILED FOR RECORD

MARILYN CALHOUN, REGISTER OF DEEDS

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LEASE \$6.00

ADDITIONAL PAGES \$4.00

TECHNOLOGY FUND \$6.00

BOOK: 554 PAGE: 606



AGREEMENT, made and entered into this 16th day of January, 2006,

by and between LONNIE H. MICK and CLARE L. MICK, husband and wife, of 6480 C.R. 4700, Neodesha, KS 66757

hereinafter called Lessor (whether one or more), and LAYNE ENERGY CHERRYVALE, LLC, of 1900 Shawnee Mission Parkway 66205, hereinafter called Lessee.

1. **GRANT.** Lessor, for and in consideration of the sum of TEN DOLLARS (\$10.00) and other good and valuable consideration, receipt and sufficiency of which are acknowledged, and of the covenants and agreements hereinafter contained, does hereby grant, demise, lease and let unto said Lessee, exclusively, its successors and assigns, the following described land for the purpose of conducting geological, geophysical and other exploratory work, including drilling and operating for, producing, saving, storing and marketing the oil and all gas of whatsoever nature or kind including but not limited to coalbed gas, shale gas or casinghead gas and all other hydrocarbons and their respective constituent products, and the exclusive right of injecting gas, air, water, brine and other fluids and substances into the subsurface strata, and constructing roads, laying pipe lines, electric lines and other utilities, building tanks and erecting other structures thereon, necessary or convenient to produce, save and take care of, treat, dewatering any gas formations and market said substances and products, all that certain tract of land in Montgomery County, Kansas, together with any reversionary rights and after-acquired interests therein, described as follows:

Township 31 South, Range 16 East

Section 2: The NW/4

Containing 160 acres, more or less.

2. **PRIMARY TERM.** This Lease shall remain in full force for a term of One (1) year from this date, (herein called "Primary Term"), and as long thereafter as oil or gas, or any of the substances covered by this Lease, is produced from said land by Lessee in paying quantities, or the premises are being developed.

3. **PAID-UP LEASE.** This Lease may be maintained during the Primary Term hereof without further payment or drilling operations. If Lessee shall commence to drill a well within the Primary Term of this Lease or any extension thereof, then Lessee shall have the right to drill such well 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 like effect as if such well had been completed within the Primary Term.

4. **ROYALTY.** Lessor shall receive royalties as follows:

(A) Lessee shall deliver to the credit of Lessor as royalty, free of costs of production, storage or treatment on the leased premises, into the pipe line or storage tanks to which Lessee may connect its wells, the equal ONE-EIGHTH (1/8) part of all OIL produced, saved and marketed from the leased premises.

(B) Lessee shall pay to Lessor as royalty on all gas of whatsoever nature or kind, including but not limited to coalbed gas, shale gas or casinghead gas, and their respective constituent elements or other gaseous substances ("Gas"), produced and marketed from the leased premises ONE-EIGHTH (1/8) of the market value at the mouth of the well.

(C) Where Gas from a well capable of producing Gas (or from a well in which dewatering operations have commenced), is not sold or used after the expiration of the Primary Term, Lessee shall pay or tender as royalty to Lessor the sum of TEN DOLLARS (\$10.00) per year per net mineral acre, such payment or tender to be made on or before the anniversary date of this Lease next ensuing after the expiration of 90 days from the date such well is shut in or dewatering operations are commenced and thereafter on or before the anniversary date of this lease during the period such well is shut in or dewatering operations are being conducted. If such payment is not timely made, this Lease 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. So long as payment is made as provided herein, the Lessee shall be deemed to be producing oil and/or or gas in accordance with paragraph 2 of this Lease.

5. **FORCE MAJEURE.** All provisions hereof, express or implied, shall be subject to all federal and state laws, and the orders, rules, or regulations of all governmental agencies administering the same, and this Lease shall not be in any way terminated wholly or partially, nor shall Lessee be liable in damages for failure to comply with any of the express or implied provisions hereof, if such failure accords with any such laws, orders, rules or regulations. Lessee shall not be liable in damages, forfeiture or termination, on account of breach of covenant, express or implied, or failure of any condition necessary to keep this Lease in force, which results from force majeure; and the obligations of Lessee shall be suspended if and while drilling or other operations are delayed or interrupted by force majeure. Force majeure includes Act of God, storm, flood, strike, scarcity of labor or material, lockout, blowout, breach of contract by drillers, subcontractors or suppliers, surface or subsurface conditions which impede normal operations or which would result in other damages or waste, or other bona fide cause beyond the reasonable control of Lessee. Lessee shall have a reasonable time after the removal or cessation of force majeure within which to commence or resume performance under the Lease. If force majeure occurs during the Primary Term, the time such force majeure exists shall be added to the Primary Term.

6. **LESSER INTEREST.** If said Lessor owns a lesser interest in the above described land than the entire and undivided fee simple estate therein, then royalties and other payments herein provided shall be paid to said Lessor in the proportion that his/her interest bears to the whole and undivided fee title. If more than one party has executed this Lease as Lessor, then this provision applies to each such party.

7. **OPERATIONS AND REMOVAL.** Lessee shall bury its pipelines below plow depth where reasonably possible. No well shall be drilled nearer than TWO HUNDRED (200) feet to any house or barn on said land as of the date of this Lease without written consent of Lessor. Lessee shall pay for damages caused by its operations to said land. Lessee shall fill in drilling pits and restore well location(s) as nearly as reasonably possible to the general condition before drilling operations began, within a reasonable time after a well has been plugged or completed. Lessee shall fence all tanks and wells when requested by Lessor. Lessee shall have the right at any time to remove any or all machinery and fixtures placed on said land, including the right to draw and remove casing.

8. **FREE SUBSTANCES.** Lessee shall have the right to use, free of cost or royalty, gas, oil, and water produced on said land for Lessee's operations thereon, except fresh water from the wells of Lessor. If gas is produced from any well, Lessor shall have the right to take such gas, free of charge, for domestic purposes in one single family dwelling on the leased premises. This provision does not extend to additional dwellings that may be located upon tracts into which the leased premises may be divided. Lessor's lines, appliances at the well, meters and connections shall be of good quality and installed at Lessor's expense. Lessee shall have the right to designate the point of connection and to impose such rules and regulations as may be reasonably necessary to protect the well and other lines. Lessor's taking and use of gas shall be at Lessor's sole risk, and Lessee shall not be liable in any way for Lessor's failure or inability to obtain or use such gas on account of the use of pumping stations, breakage of lines, conditions at the well, requirements or restrictions under any gas contract, Lessee's operations, or any other cause. Lessor shall be solely responsible for compliance with all applicable safety rules and regulations, including K.A.R. 82-11-4, in effect at the time of connection including, but not limited to, odorization of the gas.

9. **RIGHT OF WAY.** For the consideration first stated above, 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 of the sum of TEN DOLLARS (\$10.00) per rod. Such payment or tender may be made at any time while this Lease is in effect. Such easement and right of way are described as follows: Lessor grants to Lessee a strip of land twenty (20) feet wide for the purpose of laying, constructing, operating, inspecting, maintaining, repairing, replacing and removing a pipeline or pipelines for the transportation of water, brines, oil, gas and other substances, and electric line(s), 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 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 easement and right of way are used by Lessee, its successors and assigns, for the purposes herein mentioned.

10. [intentionally omitted]

11. **BREACH.** The breach of any obligation under any provision or covenant of this Lease, express or implied, shall not work a forfeiture or termination of the Lease nor be grounds for cancellation unless Lessor first notifies Lessee in writing of the breach and the facts relied upon as constituting such breach, together with a demand for the specific performance thereof, and the Lessee, if in default, fails within a reasonable time thereafter to commence compliance with the obligations imposed.

12. **ASSIGNMENT AND ENTIRETY.** 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 payments and/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; and it is hereby agreed in the event this Lease shall be assigned as to a part or as to parts of the above described lands and the assignee or assignees of such part or parts shall fail or make default in the payment of the proportionate part of the payments and/or royalties due from him or them on an acreage basis, such default shall not operate to defeat or affect this Lease insofar 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 payments and/or royalties. If the leased premises are now or hereafter owned in severalty or in separate tracts, the premises, nevertheless, may be developed and operated as an entirety, and the payments and/or 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 is now or may hereafter be divided by sale, devise, or otherwise, or to furnish separate meters, tanks or other measuring devices for oil and/or gas produced from such separate tracts.

13. **WARRANTY AND SUBROGATION.** 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, and in addition Lessee may reimburse itself for such payments out of any royalties or payments due or payable to Lessor.

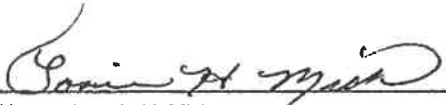
14. **SPECIAL PROVISIONS.**

- A. Lessee will notify Lessor of any new well locations for Lessor's approval of such locations before drilling commences upon said property. Such approval shall not be unreasonably withheld by Lessor.
- B. Lessee will consult with Lessor on course, route and direction of lease roads and line (pipe, electric & telephone) installations so as to minimize interference with surface use, Lessee to establish and utilize the minimum number of lease roads necessary to conduct operations, and shall not deviate from lease roads once established, lease roads shall be maintained in good condition so as to prevent rutting and erosion.
- C. When requested by Lessor, Lessee will install and maintain cattle-tight gates at all lease access points into pastures and through pasture cross fences.
- D. Lessee shall not establish a storage yard or general maintenance area on the lease premises; any equipment or supplies not in active use shall be promptly removed from the premises.
- E. Lessee shall defend, indemnify and hold harmless Lessor from any environmental damage, spills or leaks arising from Lessee's operations.

15. 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.

SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF

Whereof witness our hands as of the day and year first above written.



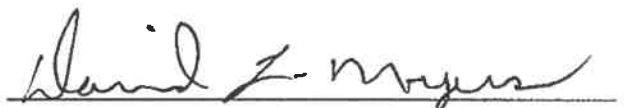
Name: Lonnie H. Mick



Name: Clare L. Mick

STATE OF KANSAS, COUNTY OF MONTGOMERY, ss:

The foregoing instrument was acknowledged before me this 16th day of January, 2006, by Lonnie H. Mick and Clare L. Mick, husband and wife.



Notary Public

Commission/Appointment Expires: 7/30/09

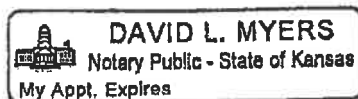


EXHIBIT "A"

ATTACHED TO AND HEREBY MADE A PART OF THAT CERTAIN OIL & GAS LEASE DATED January 16, 2006, BY AND BETWEEN LONNIE H. MICK and CLARE L. MICK (LESSORS), AND LAYNE ENERGY CHERRYVALE, LLC (LESSEE). IF THE TERMS AND CONDITIONS SET FORTH IN THIS EXHIBIT "A" CONFLICT WITH THE OIL AND GAS LEASE TO WHICH THIS EXHIBIT "A" IS ATTACHED, THE TERMS AND CONDITIONS OF THIS EXHIBIT "A" SHALL PREVAIL:

Lessee shall not use any of the leased premises for a gas compressor site to compress gas from lands not covered by this lease without Lessors' consent.

The Lessee shall conduct its operations on the leased premises in a workmanlike manner in such a way so as to cause the minimum amount of damage to the leased premises and the improvements thereon, and shall close all gates used by Lessee on the leased premises. Lessee shall not cut any of Lessors' fences without Lessors' permission except where necessary for Lessee to install a steel gate for ingress and egress. Lessee shall promptly repair any gates, waterways, terraces, or fences damaged by Lessee's operation. Lessee will not allow unused equipment to accumulate on the leased premises.

Lessee shall secure all well sites, tank sites, and equipment on pasture land that may be hazardous to livestock with a reasonable fence enclosure to prevent access by livestock.

Upon the expiration or termination of this lease, Lessee, its successors or assigns, shall within 180 days after said expiration or termination plug all wells, remove all of Lessee's personal property, restore the leased premises to its original condition as nearly as is practical, and release said lease of record. In the event Lessee fails to do so, Lessee shall automatically forfeit all rights to all personal property on the leased premises, and said personal property shall belong to the Lessors. This provision shall not limit any remedies Lessors has under the law or this lease.

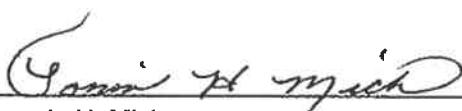
Prior to the drilling of each well on the leased premises, Lessee shall pay to Lessors the total sum of \$500.00 as advanced liquidated damages.

After the primary term of this lease, this lease cannot be maintained in force solely by the payment of shut-in gas well royalty, as set forth in paragraph 4 (C), for any one period in excess of three (3) consecutive years.

Following the installation of pipelines or the digging of any pits for well drilling, Lessee shall back fill any such pipelines and well pits as soon as is reasonably possible and practical and remove any rock brought to the surface by such activity.

Lessee shall not use any fresh water from Lessors' water wells or ponds without Lessors' consent.

Lessee shall pay to Lessors the market value for any damage caused by Lessee's operations to Lessors' livestock on the leased premises.



Lonnie H. Mick



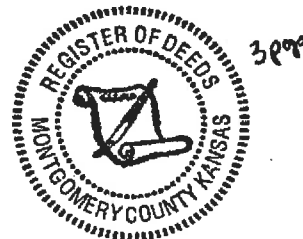
Clare L. Mick

OIL AND GAS LEASE

(PAID-UP)

STATE OF KANSAS MONTGOMERY COUNTY
FILED FOR RECORD
MARILYN CALHOUN, REGISTER OF DEEDS
8:59:01 AM, 1/23/2006 Receipt No.: 18017
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ADDITIONAL PAGES \$4.00
TECHNOLOGY FUND \$6.00

BOOK: 554 PAGE: 607



AGREEMENT, made and entered into this 16th day of January, 2006,

by and between LONNIE H. MICK and CLARE L. MICK, husband and wife, of 6480 C.R. 4700, Neodesha, KS 66757

hereinafter called Lessor (whether one or more), and LAYNE ENERGY CHERRYVALE, LLC, of 1900 Shawnee Mission Parkway 66205, hereinafter called Lessee.

1. **GRANT.** Lessor, for and in consideration of the sum of TEN DOLLARS (\$10.00) and other good and valuable consideration, receipt and sufficiency of which are acknowledged, and of the covenants and agreements hereinafter contained, does hereby grant, demise, lease and let unto said Lessee, exclusively, its successors and assigns, the following described land for the purpose of conducting geological, geophysical and other exploratory work, including drilling and operating for, producing, saving, storing and marketing the oil and all gas of whatsoever nature or kind including but not limited to coalbed gas, shale gas or casinghead gas and all other hydrocarbons and their respective constituent products, and the exclusive

right of injecting gas, air, water, brine and other fluids and substances into the subsurface strata, and constructing roads, laying pipe lines, electric lines and other utilities, building tanks and erecting other structures thereon, necessary or convenient to produce, save and take care of, treat, dewatering any gas formations and market said substances and products, all that certain tract of land in Montgomery County, Kansas, together with any reversionary rights and after-acquired interests therein, described as follows:

Township 31 South, Range 16 East

Section 2: The North $\frac{3}{4}$ ths of the SW $\frac{1}{4}$; AND the W $\frac{1}{2}$ of the NE $\frac{1}{4}$

Containing 200 acres, more or less

2. **PRIMARY TERM.** This Lease shall remain in full force for a term of Two (2) years from this date, (herein called "Primary Term"), and as long thereafter as oil or gas, or any of the substances covered by this Lease, is produced from said land by Lessee in paying quantities, or the premises are being developed.

3. **PAID-UP LEASE.** This Lease may be maintained during the Primary Term hereof without further payment or drilling operations. If Lessee shall commence to drill a well within the Primary Term of this Lease or any extension thereof, then Lessee shall have the right to drill such well 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 like effect as if such well had been completed within the Primary Term.

4. **ROYALTY.** Lessor shall receive royalties as follows:

(A) Lessee shall deliver to the credit of Lessor as royalty, free of costs of production, storage or treatment on the leased premises, into the pipe line or storage tanks to which Lessee may connect its wells, the equal ONE-EIGHTH (1/8) part of all Oil produced, saved and marketed from the leased premises.

(B) Lessee shall pay to Lessor as royalty on all gas of whatsoever nature or kind, including but not limited to coalbed gas, shale gas or casinghead gas, and their respective constituent elements or other gaseous substances ("Gas"), produced and marketed from the leased premises ONE-EIGHTH (1/8) of the market value at the mouth of the well.

(C) Where Gas from a well capable of producing Gas (or from a well in which dewatering operations have commenced), is not sold or used after the expiration of the Primary Term, Lessee shall pay or tender as royalty to Lessor the sum of TEN DOLLARS (\$10.00) per year per net mineral acre, such payment or tender to be made on or before the anniversary date of this Lease next ensuing after the expiration of 90 days from the date such well is shut in or dewatering operations are commenced and thereafter on or before the anniversary date of this lease during the period such well is shut in or dewatering operations are being conducted. If such payment is not timely made, this Lease 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. So long as payment is made as provided herein, the Lessee shall be deemed to be producing oil and/or gas in accordance with paragraph 2 of this Lease.

5. **FORCE MAJEURE.** All provisions hereof, express or implied, shall be subject to all federal and state laws, and the orders, rules, or regulations of all governmental agencies administering the same, and this Lease shall not be in any way terminated wholly or partially, nor shall Lessee be liable in damages for failure to comply with any of the express or implied provisions hereof, if such failure accords with any such laws, orders, rules or regulations. Lessee shall not be liable in damages, forfeiture or termination, on account of breach of covenant, express or implied, or failure of any condition necessary to keep this Lease in force, which results from force majeure; and the obligations of Lessee shall be suspended if and while drilling or other operations are delayed or interrupted by force majeure. Force majeure includes Act of God, storm, flood, strike, scarcity of labor or material, lockout, blowout, breach of contract by drillers, subcontractors or suppliers, surface or subsurface conditions which impede normal operations or which would result in other damages or waste, or other bona fide cause beyond the reasonable control of Lessee. Lessee shall have a reasonable time after the removal or cessation of force majeure within which to commence or resume performance under the Lease. If force majeure occurs during the Primary Term, the time such force majeure exists shall be added to the Primary Term.

6. **LESSER INTEREST.** If said Lessor owns a lesser interest in the above described land than the entire and undivided fee simple estate therein, then royalties and other payments herein provided shall be paid to said Lessor in the proportion that his/her interest bears to the whole and undivided fee title. If more than one party has executed this Lease as Lessor, then this provision applies to each such party.

7. **OPERATIONS AND REMOVAL.** Lessee shall bury its pipelines below plow depth where reasonably possible. No well shall be drilled nearer than TWO HUNDRED (200) feet to any house or barn on said land as of the date of this Lease without written consent of Lessor. Lessee shall pay for damages caused by its operations to said land. Lessee shall fill in drilling pits and restore well location(s) as nearly as reasonably possible to the general condition before drilling operations began, within a reasonable time after a well has been plugged or completed. Lessee shall fence all tanks and wells when requested by Lessor. Lessee shall have the right at any time to remove any or all machinery and fixtures placed on said land, including the right to draw and remove casing.

8. **FREE SUBSTANCES.** Lessee shall have the right to use, free of cost or royalty, gas, oil, and water produced on said land for Lessee's operations thereon, except fresh water from the wells of Lessor. If gas is produced from any well, Lessor shall have the right to take such gas, free of charge, for domestic purposes in one single family dwelling on the leased premises. This provision does not extend to additional dwellings that may be located upon tracts into which the leased premises may be divided. Lessor's lines, appliances at the well, meters and connections shall be of good quality and installed at Lessor's expense. Lessee shall have the right to designate the point of connection and to impose such rules and regulations as may be reasonably necessary to protect the well and other lines. Lessor's taking and use of gas shall be at Lessor's sole risk, and Lessee shall not be liable in any way for Lessor's failure or inability to obtain or use such gas on account of the use of pumping stations, breakage of lines, conditions at the well, requirements or restrictions under any gas contract, Lessee's operations, or any other cause. Lessor shall be solely responsible for compliance with all applicable safety rules and regulations, including K.A.R. 82-11-4, in effect at the time of connection including, but not limited to, odorization of the gas.

9. **RIGHT OF WAY.** For the consideration first stated above, 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 of the sum of TEN DOLLARS (\$10.00) per rod. Such payment or tender may be made at any time while this Lease is in effect. Such easement and right of way are described as follows: Lessor grants to Lessee a strip of land twenty (20) feet wide for the purpose of laying, constructing, operating, inspecting, maintaining, repairing, replacing and removing a pipeline or pipelines for the transportation of water, brines, oil, gas and other substances, and electric line(s), 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 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 easement and right of way are used by Lessee, its successors and assigns, for the purposes herein mentioned.

10. [intentionally omitted]

11. **BREACH.** The breach of any obligation under any provision or covenant of this Lease, express or implied, shall not work a forfeiture or termination of the Lease nor be grounds for cancellation unless Lessor first notifies Lessee in writing of the breach and the facts relied upon as constituting such breach, together with a demand for the specific performance thereof, and the Lessee, if in default, fails within a reasonable time thereafter to commence compliance with the obligations imposed.

12. **ASSIGNMENT AND ENTIRETY.** 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 payments and/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; and it is hereby agreed in the event this Lease shall be assigned as to a part or as to parts of the above described lands and the assignee or assignees of such part or parts shall fail or make default in the payment of the proportionate part of the payments and/or royalties due from him or them on an acreage basis, such default shall not operate to defeat or affect this Lease insofar 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 payments and/or royalties. If the leased premises are now or hereafter owned in severalty or in separate tracts, the premises, nevertheless, may be developed and operated as an entirety, and the payments and/or 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 is now or may hereafter be divided by sale, devise, or otherwise, or to furnish separate meters, tanks or other measuring devices for oil and/or gas produced from such separate tracts.

13. **WARRANTY AND SUBROGATION.** 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, and in addition Lessee may reimburse itself for such payments out of any royalties or payments due or payable to Lessor.

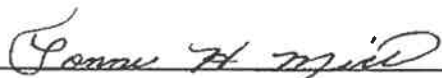
14. **SPECIAL PROVISIONS.**

- A. Lessee will notify Lessor of any new well locations for Lessor's approval of such locations before drilling commences upon said property. Such approval shall not be unreasonably withheld by Lessor.
- B. Lessee will consult with Lessor on course, route and direction of lease roads and line (pipe, electric & telephone) installations so as to minimize interference with surface use, Lessee to establish and utilize the minimum number of lease roads necessary to conduct operations, and shall not deviate from lease roads once established, lease roads shall be maintained in good condition so as to prevent rutting and erosion.
- C. When requested by Lessor, Lessee will install and maintain cattle-tight gates at all lease access points into pastures and through pasture cross fences.
- D. Lessee shall not establish a storage yard or general maintenance area on the lease premises; any equipment or supplies not in active use shall be promptly removed from the premises.
- E. Lessee shall defend, indemnify and hold harmless Lessor from any environmental damage, spills or leaks arising from Lessee's operations.

15. 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.

SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF

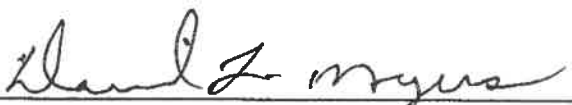
Whereof witness our hands as of the day and year first above written.


Name: Lonnie H. Mick


Name: Clare L. Mick

STATE OF KANSAS, COUNTY OF MONTGOMERY, ss:

The foregoing instrument was acknowledged before me this 16th day of January, 2006, by Lonnie H. Mick and Clare L. Mick, husband and wife.


Notary Public
Commission/Appointment Expires: 7/30/09

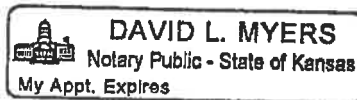


EXHIBIT "A"

ATTACHED TO AND HEREBY MADE A PART OF THAT CERTAIN OIL & GAS LEASE DATED January 16, 2006, BY AND BETWEEN LONNIE H. MICK and CLARE L. MICK (LESSORS), AND LAYNE ENERGY CHERRYVALE, LLC (LESSEE). IF THE TERMS AND CONDITIONS SET FORTH IN THIS EXHIBIT "A" CONFLICT WITH THE OIL AND GAS LEASE TO WHICH THIS EXHIBIT "A" IS ATTACHED, THE TERMS AND CONDITIONS OF THIS EXHIBIT "A" SHALL PREVAIL:

Lessee shall not use any of the leased premises for a gas compressor site to compress gas from lands not covered by this lease without Lessors' consent.

The Lessee shall conduct its operations on the leased premises in a workmanlike manner in such a way so as to cause the minimum amount of damage to the leased premises and the improvements thereon, and shall close all gates used by Lessee on the leased premises. Lessee shall not cut any of Lessors' fences without Lessors' permission except where necessary for Lessee to install a steel gate for ingress and egress. Lessee shall promptly repair any gates, waterways, terraces, or fences damaged by Lessee's operation. Lessee will not allow unused equipment to accumulate on the leased premises.

Lessee shall secure all well sites, tank sites, and equipment on pasture land that may be hazardous to livestock with a reasonable fence enclosure to prevent access by livestock.

Upon the expiration or termination of this lease, Lessee, its successors or assigns, shall within 180 days after said expiration or termination plug all wells, remove all of Lessee's personal property, restore the leased premises to its original condition as nearly as is practical, and release said lease of record. In the event Lessee fails to do so, Lessee shall automatically forfeit all rights to all personal property on the leased premises, and said personal property shall belong to the Lessors. This provision shall not limit any remedies Lessors has under the law or this lease.

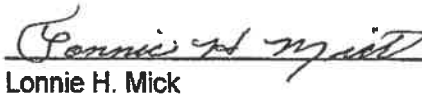
Prior to the drilling of each well on the leased premises, Lessee shall pay to Lessors the total sum of \$500.00 as advanced liquidated damages.

After the primary term of this lease, this lease cannot be maintained in force solely by the payment of shut-in gas well royalty, as set forth in paragraph 4 (C), for any one period in excess of three (3) consecutive years.

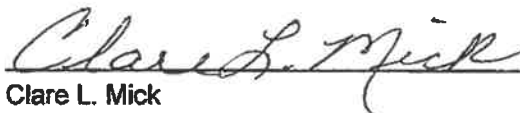
Following the installation of pipelines or the digging of any pits for well drilling, Lessee shall back fill any such pipelines and well pits as soon as is reasonably possible and practical and remove any rock brought to the surface by such activity.

Lessee shall not use any fresh water from Lessors' water wells or ponds without Lessors' consent.

Lessee shall pay to Lessors the market value for any damage caused by Lessee's operations to Lessors' livestock on the leased premises.



Lonnie H. Mick



Clare L. Mick

OIL AND GAS LEASE

(PAID-UP)

RECORD FOR RECORD
RILYN CALHOUN, REGISTER OF DEEDS
9:00:07 AM, 1/23/2006 Receipt No.: 180.
LEASE \$6.
ADDITIONAL PAGES \$4.
TECHNOLOGY FUND \$6.

BOOK: 554 PAGE: 608



AGREEMENT, made and entered into this 16th day of January, 2006,

by and between LONNIE H. MICK and CLARE L. MICK, husband and wife, of 6480 C.R. 4700, Neodesha, KS 66757

hereinafter called Lessor (whether one or more), and LAYNE ENERGY CHERRYVALE, LLC, of 1900 Shawnee Mission Parkway 66205, hereinafter called Lessee.

1. **GRANT.** Lessor, for and in consideration of the sum of TEN DOLLARS (\$10.00) and other good and valuable consideration, receipt and sufficiency of which are acknowledged, and of the covenants and agreements hereinafter contained, does hereby grant, demise, lease and let unto said Lessee, exclusively, its successors and assigns, the following described land for the purpose of conducting geological, geophysical and other exploratory work, including drilling and operating for, producing, saving, storing and marketing the oil and all gas of whatsoever nature or kind including but not limited to coalbed gas, shale gas or casinghead gas and all other hydrocarbons and their respective constituent products, and the exclusive right of injecting gas, air, water, brine and other fluids and substances into the subsurface strata, and constructing roads, laying pipe lines, electric lines and other utilities, building tanks and erecting other structures thereon, necessary or convenient to produce, save and take care of, treat, dewatering any gas formations and market said substances and products, all that certain tract of land in Montgomery County, Kansas, together with any reversionary rights and after-acquired interests therein, described as follows:

Township 31 South, Range 16 East

Section 2: The W/2 of the SE/4 AND the E/2 of the SE/4, EXCEPT the North 11 acres.

Containing 149 acres, more or less

2. **PRIMARY TERM.** This Lease shall remain in full force for a term of Three (3) years from this date, (herein called "Primary Term"), and as long thereafter as oil or gas, or any of the substances covered by this Lease, is produced from said land by Lessee in paying quantities, or the premises are being developed.

3. **PAID-UP LEASE.** This Lease may be maintained during the Primary Term hereof without further payment or drilling operations. If Lessee shall commence to drill a well within the Primary Term of this Lease or any extension thereof, then Lessee shall have the right to drill such well 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 like effect as if such well had been completed within the Primary Term.

4. **ROYALTY.** Lessor shall receive royalties as follows:

(A) Lessee shall deliver to the credit of Lessor as royalty, free of costs of production, storage or treatment on the leased premises, into the pipe line or storage tanks to which Lessee may connect its wells, the equal ONE-EIGHTH (1/8) part of all OIL produced, saved and marketed from the leased premises.

(B) Lessee shall pay to Lessor as royalty on all gas of whatsoever nature or kind, including but not limited to coalbed gas, shale gas or casinghead gas, and their respective constituent elements or other gaseous substances ("Gas"), produced and marketed from the leased premises ONE-EIGHTH (1/8) of the market value at the mouth of the well.

(C) Where Gas from a well capable of producing Gas (or from a well in which dewatering operations have commenced), is not sold or used after the expiration of the Primary Term, Lessee shall pay or tender as royalty to Lessor the sum of TEN DOLLARS (\$10.00) per year per net mineral acre, such payment or tender to be made on or before the anniversary date of this Lease next ensuing after the expiration of 90 days from the date such well is shut in or dewatering operations are commenced and thereafter on or before the anniversary date of this lease during the period such well is shut in or dewatering operations are being conducted. If such payment is not timely made, this Lease 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. So long as payment is made as provided herein, the Lessee shall be deemed to be producing oil and/or gas in accordance with paragraph 2 of this Lease.

5. **FORCE MAJEURE.** All provisions hereof, express or implied, shall be subject to all federal and state laws, and the orders, rules, or regulations of all governmental agencies administering the same, and this Lease shall not be in any way terminated wholly or partially, nor shall Lessee be liable in damages for failure to comply with any of the express or implied provisions hereof, if such failure accords with any such laws, orders, rules or regulations. Lessee shall not be liable in damages, forfeiture or termination, on account of breach of covenant, express or implied, or failure of any condition necessary to keep this Lease in force, which results from force majeure; and the obligations of Lessee shall be suspended if and while drilling or other operations are delayed or interrupted by force majeure. Force majeure includes Act of God, storm, flood, strike, scarcity of labor or material, lockout, blowout, breach of contract by drillers, subcontractors or suppliers, surface or subsurface conditions which impede normal operations or which would result in other damages or waste, or other bona fide cause beyond the reasonable control of Lessee. Lessee shall have a reasonable time after the removal or cessation of force majeure within which to commence or resume performance under the Lease. If force majeure occurs during the Primary Term, the time such force majeure exists shall be added to the Primary Term.

6. **LESSER INTEREST.** If said Lessor owns a lesser interest in the above described land than the entire and undivided fee simple estate therein, then royalties and other payments herein provided shall be paid to said Lessor in the proportion that his/her interest bears to the whole and undivided fee title. If more than one party has executed this Lease as Lessor, then this provision applies to each such party.

7. **OPERATIONS AND REMOVAL.** Lessee shall bury its pipelines below plow depth where reasonably possible. No well shall be drilled nearer than TWO HUNDRED (200) feet to any house or barn on said land as of the date of this Lease without written consent of Lessor. Lessee shall pay for damages caused by its operations to said land. Lessee shall fill in drilling pits and restore well location(s) as nearly as reasonably possible to the general condition before drilling operations began, within a reasonable time after a well has been plugged or completed. Lessee shall fence all tanks and wells when requested by Lessor. Lessee shall have the right at any time to remove any or all machinery and fixtures placed on said land, including the right to draw and remove casing.

8. **FREE SUBSTANCES.** Lessee shall have the right to use, free of cost or royalty, gas, oil, and water produced on said land for Lessee's operations thereon, except fresh water from the wells of Lessor. If gas is produced from any well, Lessor shall have the right to take such gas, free of charge, for domestic purposes in one single family dwelling on the leased premises. This provision does not extend to additional dwellings that may be located upon tracts into which the leased premises may be divided. Lessor's lines, appliances at the well, meters and connections shall be of good quality and installed at Lessor's expense. Lessee shall have the right to designate the point of connection and to impose such rules and regulations as may be reasonably necessary to protect the well and other lines. Lessor's taking and use of gas shall be at Lessor's sole risk, and Lessee shall not be liable in any way for Lessor's failure or inability to obtain or use such gas on account of the use of pumping stations, breakage of lines, conditions at the well, requirements or restrictions under any gas contract, Lessee's operations, or any other cause. Lessor shall be solely responsible for compliance with all applicable safety rules and regulations, including K.A.R. 82-11-4, in effect at the time of connection including, but not limited to, odorization of the gas.

9. **RIGHT OF WAY.** For the consideration first stated above, 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 any time while this Lease is in effect. Such easement and right of way are described as follows: Lessor grants to Lessee a strip of land twenty (20) feet wide for the purpose of laying, constructing, operating, inspecting, maintaining, repairing, replacing and removing a pipeline or pipelines for the transportation of water, brines, oil, gas and other substances, and electric line(s), 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 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 easement and right of way are used by Lessee, its successors and assigns, for the purposes herein mentioned.

10. [intentionally omitted]

11. **BREACH.** The breach of any obligation under any provision or covenant of this Lease, express or implied, shall not work a forfeiture or termination of the Lease nor be grounds for cancellation unless Lessor first notifies Lessee in writing of the breach and the facts relied upon as constituting such breach, together with a demand for the specific performance thereof, and the Lessee, if in default, fails within a reasonable time thereafter to commence compliance with the obligations imposed.

12. **ASSIGNMENT AND ENTIRETY.** 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 payments and/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; and it is hereby agreed in the event this Lease shall be assigned as to a part or as to parts of the above described lands and the assignee or assignees of such part or parts shall fail or make default in the payment of the proportionate part of the payments and/or royalties due from him or them on an acreage basis, such default shall not operate to defeat or affect this Lease insofar 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 payments and/or royalties. If the leased premises are now or hereafter owned in severally or in separate tracts, the premises, nevertheless, may be developed and operated as an entirety, and the payments and/or 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 is now or may hereafter be divided by sale, devise, or otherwise, or to furnish separate meters, tanks or other measuring devices for oil and/or gas produced from such separate tracts.

13. **WARRANTY AND SUBROGATION.** 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, and in addition Lessee may reimburse itself for such payments out of any royalties or payments due or payable to Lessor.

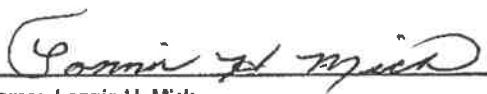
14. **SPECIAL PROVISIONS.**

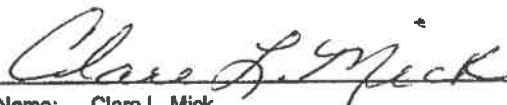
- A. Lessee will notify Lessor of any new well locations for Lessor's approval of such locations before drilling commences upon said property. Such approval shall not be unreasonably withheld by Lessor.
- B. Lessee will consult with Lessor on course, route and direction of lease roads and line (pipe, electric & telephone) installations so as to minimize interference with surface use, Lessee to establish and utilize the minimum number of lease roads necessary to conduct operations, and shall not deviate from lease roads once established, lease roads shall be maintained in good condition so as to prevent rutting and erosion.
- C. When requested by Lessor, Lessee will install and maintain cattle-tight gates at all lease access points into pastures and through pasture cross fences.
- D. Lessee shall not establish a storage yard or general maintenance area on the lease premises; any equipment or supplies not in active use shall be promptly removed from the premises.
- E. Lessee shall defend, indemnify and hold harmless Lessor from any environmental damage, spills or leaks arising from Lessee's operations.

15. 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.

SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF

Whereof witness our hands as of the day and year first above written.


Name: Lonnie H. Mick


Name: Clare L. Mick

STATE OF KANSAS, COUNTY OF MONTGOMERY, ss:

The foregoing instrument was acknowledged before me this 16th day of January, 2006, by Lonnie H. Mick and Clare L. Mick, husband and wife.


Notary Public
Commission/Appointment Expires: 7/30/09



EXHIBIT "A"

ATTACHED TO AND HEREBY MADE A PART OF THAT CERTAIN OIL & GAS LEASE DATED January 16, 2006, BY AND BETWEEN LONNIE H. MICK and CLARE L. MICK (LESSORS), AND LAYNE ENERGY CHERRYVALE, LLC (LESSEE). IF THE TERMS AND CONDITIONS SET FORTH IN THIS EXHIBIT "A" CONFLICT WITH THE OIL AND GAS LEASE TO WHICH THIS EXHIBIT "A" IS ATTACHED, THE TERMS AND CONDITIONS OF THIS EXHIBIT "A" SHALL PREVAIL:

Lessee shall not use any of the leased premises for a gas compressor site to compress gas from lands not covered by this lease without Lessors' consent.

The Lessee shall conduct its operations on the leased premises in a workmanlike manner in such a way so as to cause the minimum amount of damage to the leased premises and the improvements thereon, and shall close all gates used by Lessee on the leased premises. Lessee shall not cut any of Lessors' fences without Lessors' permission except where necessary for Lessee to install a steel gate for ingress and egress. Lessee shall promptly repair any gates, waterways, terraces, or fences damaged by Lessee's operation. Lessee will not allow unused equipment to accumulate on the leased premises.

Lessee shall secure all well sites, tank sites, and equipment on pasture land that may be hazardous to livestock with a reasonable fence enclosure to prevent access by livestock.

Upon the expiration or termination of this lease, Lessee, its successors or assigns, shall within 180 days after said expiration or termination plug all wells, remove all of Lessee's personal property, restore the leased premises to its original condition as nearly as is practical, and release said lease of record. In the event Lessee fails to do so, Lessee shall automatically forfeit all rights to all personal property on the leased premises, and said personal property shall belong to the Lessors. This provision shall not limit any remedies Lessors has under the law or this lease.

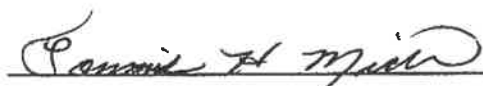
Prior to the drilling of each well on the leased premises, Lessee shall pay to Lessors the total sum of \$500.00 as advanced liquidated damages.

After the primary term of this lease, this lease cannot be maintained in force solely by the payment of shut-in gas well royalty, as set forth in paragraph 4 (C), for any one period in excess of three (3) consecutive years.

Following the installation of pipelines or the digging of any pits for well drilling, Lessee shall back fill any such pipelines and well pits as soon as is reasonably possible and practical and remove any rock brought to the surface by such activity.

Lessee shall not use any fresh water from Lessors' water wells or ponds without Lessors' consent.

Lessee shall pay to Lessors the market value for any damage caused by Lessee's operations to Lessors' livestock on the leased premises.



Lonnie H. Mick



Clare L. Mick

OIL AND GAS LEASE

(PAID-UP)

STATE OF KANSAS MONTGOMERY COUNTY
FILED FOR RECORD
MARILYN CALHOUN, REGISTER OF DEEDS
11:25:58 AM, 1/28/2003 Receipt No.: 12463
LEASE \$6.00
ADDITIONAL PAGES \$2.00
TECHNOLOGY FUND \$4.00

AGREEMENT, made and entered into this 26th day of JANUARY, 20 05,
by and between LONNIE H. MICK and CLARE L. MICK, husband and wife

BOOK: 545 PAGE: 760

hereinafter called Lessor (whether one or more), and Colt Natural Gas, L.L.C., P.O. Box 388, Iola, Kansas 66749, hereinafter called Lessee

1 **GRANT.** Lessor, for and in consideration of the sum of TEN DOLLARS (\$10.00) and other good and valuable consideration, receipt and sufficiency of which are acknowledged, and of the covenants and agreements hereinafter contained, does hereby grant, demise, lease and let unto said Lessee, exclusively, its successors and assigns, the following described land for the purpose of conducting geological, geophysical and other exploratory work, including drilling and operating for, producing, saving, storing and marketing the oil and all gas of whatsoever nature or kind including but not limited to coalbed gas, shale gas or casinghead gas and all other hydrocarbons and their respective constituent products, and the exclusive

right of injecting gas, air, water, brine and other fluids and substances into the subsurface strata, and constructing roads, laying pipe lines, electric lines and other utilities, building tanks and erecting other structures thereon, necessary or convenient to produce, save and take care of, treat, dewatering any gas formations and market said substances and products, all that certain tract of land together with any reversionary rights and after-acquired interests therein, described as follows:

THE NORTHEAST QUARTER OF THE NORTHEAST QUARTER (NE¹/₄ NE¹/₄) AND THE NORTH 35 ACRES OF THE
SOUTHEAST OF THE NORTHEAST QUARTER (SE¹/₄ NE¹/₄), SECTION 2, TOWNSHIP 31, RANGE 16

Section 2 Township 31 S Range 16 E containing 74 acres more or less
located in MONTGOMERY COUNTY, KANSAS.

2. **PRIMARY TERM.** This Lease shall remain in full force for a term of ONE (1) year(s) from this date, (herein called "Primary Term"), and as long thereafter as oil or gas, or any of the substances covered by this Lease, is produced from said land by Lessee in paying quantities, or the premises are being developed.

3. **PAID-UP LEASE.** This Lease may be maintained during the Primary Term hereof without further payment or drilling operations. If Lessee shall commence to drill a well within the Primary Term of this Lease or any extension thereof, then Lessee shall have the right to drill such well 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 like effect as if such well had been completed within the Primary Term.

4. **ROYALTY.** Lessor shall receive royalties as follows:

(A) Lessee shall deliver to the credit of Lessor as royalty, free of costs of production, storage or treatment on the leased premises, into the pipe line or storage tanks to which Lessee may connect its wells, the equal ONE-EIGHTH (1/8) part of all OIL produced, saved and marketed from the leased premises.

(B) Lessee shall pay to Lessor as royalty on all gas of whatsoever nature or kind, including but not limited to coalbed gas, shale gas or casinghead gas, and their respective constituent elements or other gaseous substances ("Gas"), produced and marketed from the leased premises ONE-EIGHTH (1/8) of the market value at the mouth of the well.

(C) Where Gas from a well capable of producing Gas (or from a well in which dewatering operations have commenced), is not sold or used after the expiration of the Primary Term, Lessee shall pay or tender as royalty to Lessor the sum of FIVE DOLLAR (\$5.00) per year per net mineral acre, such payment or tender to be made on or before the anniversary date of this Lease next ensuing after the expiration of 90 days from the date such well is shut in or dewatering operations are commenced and thereafter on or before the anniversary date of this lease during the period such well is shut in or dewatering operations are being conducted. If such payment is not timely made, this Lease 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. So long as payment is made as provided herein, the Lessee shall be deemed to be producing oil and/or or gas in accordance with paragraph 2 of this Lease.

5. **FORCE MAJEURE.** All provisions hereof, express or implied, shall be subject to all federal and state laws, and the orders, rules, or regulations of all governmental agencies administering the same, and this Lease shall not be in any way terminated wholly or partially, nor shall Lessee be liable in damages for failure to comply with any of the express or implied provisions hereof, if such failure accords with any such laws, orders, rules or regulations. Lessee shall not be liable in damages, forfeiture or termination, on account of breach of covenant, express or implied, or failure of any condition necessary to keep this Lease in force, which results from force majeure; and the obligations of Lessee shall be suspended if and while drilling or other operations are delayed or interrupted by force majeure. Force majeure includes Act of God, storm, flood, strike, scarcity of labor or material, lockout, blowout, breach of contract by drillers, subcontractors or suppliers, surface or subsurface conditions which impede normal operations or which would result in other damages or waste, or other bona fide cause beyond the reasonable control of Lessee. Lessee shall have a reasonable time after the removal or cessation of force majeure within which to commence or resume performance under the Lease. If force majeure occurs during the Primary Term, the time such force majeure exists shall be added to the Primary Term.

6. **LESSER INTEREST.** If said Lessor owns a lesser interest in the above described land than the entire and undivided fee simple estate therein, then royalties and other payments herein provided shall be paid to said Lessor in the proportion that his/her interest bears to the whole and undivided fee title. If more than one party has executed this Lease as Lessor, then this provision applies to each such party.

7. **OPERATIONS AND REMOVAL.** Lessee shall bury its pipelines below plow depth where reasonably possible. No well shall be drilled nearer than TWO HUNDRED (200) feet to any house or barn on said land as of the date of this Lease without written consent of Lessor. Lessee shall pay for damages caused by its operations to said land. Lessee shall fill in drilling pits and restore well location(s) as nearly as reasonably possible to the general condition before drilling operations began, within a reasonable time after a well has been plugged or completed. Lessee shall fence all tanks and wells when requested by Lessor. Lessee shall have the right at any time to remove any or all machinery and fixtures placed on said land, including the right to draw and remove casing.

8. **FREE SUBSTANCES.** Lessee shall have the right to use, free of cost or royalty, gas, oil, and water produced on said land for Lessee's operations thereon, except fresh water from the wells of Lessor. If gas is produced from any well, Lessor shall have the right to take such gas, free of charge, for domestic purposes in one single family dwelling on the leased premises. This provision does not extend to additional dwellings that may be located upon tracts into which the leased premises may be divided. Lessor's lines, appliances at the well, meters and connections shall be of good quality and installed at Lessor's expense. Lessee shall have the right to designate the point of connection and to impose such rules and regulations as may be reasonably necessary to protect the well and other lines. Lessor's taking and use of gas shall be at Lessor's sole risk, and Lessee shall not be liable in any way for Lessor's failure or inability to obtain or use such gas on account of the use of pumping stations, breakage of lines, conditions at the well, requirements or restrictions under any gas contract, Lessee's operations, or any other cause. Lessor shall be solely responsible for compliance with all applicable safety rules and regulations, including K.A.R. 82-11-4, in effect at the time of connection including, but not limited to, odorization of the gas.

9. **RIGHT OF WAY.** For the consideration first stated above, 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 of the sum of TEN DOLLARS (\$10.00) per rod. Such payment or tender may be made at any time while this Lease is in effect. Such easement and right of way are described as follows: Lessor grants to Lessee a strip of land twenty (20) feet wide for the purpose of laying, constructing, operating, inspecting, maintaining, repairing, replacing and removing a pipeline or pipelines for the transportation of water, brines, oil, gas and other substances, and electric line(s), 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 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 easement and right of way are used by Lessee, its successors and assigns, for the purposes herein mentioned.

10. **DISPOSAL.** For the consideration first stated above, Lessor conditionally grants to Lessee a license, easement and right of way as provided herein. The use of such license, easement and right of way are conditioned upon Lessee first paying or tendering to Lessor the sum of FOUR HUNDRED DOLLARS (\$400.00) 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 owned or operated by Lessee located on said land and upon lands adjacent to or in the vicinity thereof, 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 twenty (20) feet 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 twenty (20) feet easement and right of way shall be the center of the pipe line(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) so 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.

11. **BREACH.** The breach of any obligation under any provision or covenant of this Lease, express or implied, shall not work a forfeiture or termination of the Lease nor be grounds for cancellation unless Lessor first notifies Lessee in writing of the breach and the facts relied upon as constituting such breach, together with a demand for the specific performance thereof, and the Lessee, if in default, fails within a reasonable time thereafter to commence compliance with the obligations imposed.

12. **ASSIGNMENT AND ENTIRETY.** 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 payments and/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; and it is hereby agreed in the event this Lease shall be assigned as to a part or as to parts of the above described lands and the assignee or assignees of such part or parts shall fail or make default in the payment of the proportionate part of the payments and/or royalties due from him or them on an acreage basis, such default shall not operate to defeat or affect this Lease insofar 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 payments and/or royalties. If the leased premises are now or hereafter owned in severalty or in separate tracts, the premises, nevertheless, may be developed and operated as an entirety, and the payments and/or 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 is now or may hereafter be divided by sale, devise, or otherwise, or to furnish separate meters, tanks or other measuring devices for oil and/or gas produced from such separate tracts.

13. **WARRANTY AND SUBROGATION.** 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, and in addition Lessee may reimburse itself for such payments out of any royalties or payments due or payable to Lessor.

14. **SPECIAL PROVISIONS.**

- A. Lessee will notify Lessor of any new well locations for Lessor's approval of such locations before drilling commences upon said property. Such approval shall not be unreasonably withheld by Lessor
- B. Lessee will consult with Lessor on course, route and direction of lease roads and line (pipe, electric & telephone) installations so as to minimize interference with surface use, Lessee to establish and utilize the minimum number of lease roads necessary to conduct operations, and shall not deviate from lease roads once established, lease roads shall be maintained in good condition so as to prevent rutting and erosion.
- C. When requested by Lessor, Lessee will install and maintain cattle-tight gates at all lease access points into pastures and through pasture cross fences.
- D. Lessee shall not establish a storage yard or general maintenance area on the lease premises; any equipment or supplies not in active use shall be promptly removed from the premises.
- E. Lessee shall defend, indemnify and hold harmless Lessor from any environmental damage, spills or leaks arising from Lessee's operations
- F. Lessee agrees not to drill a well for the purpose of disposing salt water unless agreed to in writing by Lessor.

Whereof witness our hands as of the day and year first above written.

Name: Lonnie H. Mick

S.S.# 522-66-0935

Address RR # 2 Box 220

Neodesha, Kansas 66757

Name: Clare L. Mick

S.S.# 522-78-1083

Address

STATE OF KANSAS, COUNTY OF MONTGOMERY, ss:

The foregoing instrument was acknowledged before me this 26th day of JANUARY, 20 05.

By LONNIE H. MICK and CLARE L. MICK, husband and wife

Notary Public Dan Mertensmeyer

Commission/Appointment Expires: 6/17/2005

NOTARY PUBLIC - State of Kansas
DAN MERTENSMEYER
My Appl. Exp.



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FILED FOR RECORD
MARILYN CALHOUN, REGISTER OF DEEDS
10:13:16 AM, 7/11/2006 Receipt No.: 20753
LEASE \$6.00
ADDITIONAL PAGES \$2.00
TECHNOLOGY FUND \$4.00

BOOK: 558 PAGE: 722

PIPELINE APPERTENANCE- RISER VALVE AND PIG RECEIVER SITE LEASE

THIS PIPELINE APPERTENANCE Lease (the "Lease") is made and entered into this 21 TH day of April 2006 (the "Effective Date"), between Lonnie H Mick and Clare L Mick whose address is 6480 County Road 4700, Neodesha, KS 66757, hereinafter referred to as the "Lessor," and LAYNE ENERGY CHERRYVALE PIPELINE, L.L.C., whose address is 1900 Shawnee Mission Parkway, Mission Woods, Kansas 66205, hereinafter referred to as the "Lessee."

Lessor, for Ten Dollars (\$10.00), and other valuable consideration, the receipt of which is acknowledged, demises, leases, and lets to Lessee, its successors or assigns, the following lands located in Montgomery County, Kansas, for the purposes provided for in this Lease.

An area of land measuring 50 feet by 50 feet, more or less, for a PIPELINE APPERTENANCE Site (hereinafter referred to as the "Lease Premises") located as constructed on the following described tract (hereinafter referred to as "Lessor's Land"):

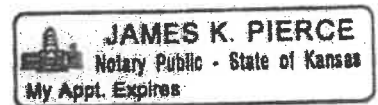
Montgomery County, Kansas
Township 31 South, Range 16 East
Section 02: NW4 NW4

1. Lessee shall have the exclusive right to use the Lease Premises for a PIPELINE APPERTENANCE site to be located on the Lease Premises, in connection with the transportation of natural and coal-bed methane gas. For the same consideration recited herein below, the Lessor hereby grants unto the Lessee, its successors and assigns, rights-of-way for access, electric lines, and pipelines over, across and through Lessor's Land described for the purpose of implementing or facilitating the rights contemplated herein. Gas transportation pipelines transporting gas other the gas produced on lands described above and owned by "lessor" are not a part of this agreement.
2. The primary term of this Lease is Twenty (20) years from the Effective Date stated above, and as long thereafter as Lessee continues to use the Lease Premises as an above ground pipeline appertenance site for the purposes set out herein.
3. In consideration for the rights conveyed herein, Lessee shall pay Lessor, as consideration, the sum of **\$780.00** annual fee payable each year on the anniversary date of the Effective Date of this Agreement (the "Rentals"). All payments and tenders may be made by draft or check of Lessee or its agent, and considered paid when deposited in any post office and addressed to Lessor. No change in the ownership of the Lease Premises shall be binding on Lessee until and unless it shall have first been furnished a copy of the recorded conveyance effecting a transfer of title.
4. Lessee shall have the right to use the Lease Premises to launch and receive pig plugs, operate a valve maintenance riser on pipelines connected to and cover by separate agreements whether operated for by Lessee or those operated by others.
5. Lessee shall have the right, during the term of this Lease or within one hundred and eighty (180) days after its termination to remove from the Lease Premises all materials, equipment, and other personal property placed on the Lease Premises by Lessee.
6. The terms of this Lease shall extend to and be binding on Lessee and Lessor and their heirs, successors or assigns.
7. Lessee has the right at any time prior to, and the duty and responsibility within 180 days after the termination of this Lease, to remove any and all improvements and equipment owned or placed by Lessee on the Leased Premises. Lessee has the right to surrender this Lease at any time by filing a release of record in the county named above, or by delivery of a release, in recordable form, to Lessor.
8. If Lessee fails to timely pay any monies when due, or comply with any of the obligations of this Lease, that failure shall not constitute a forfeiture or termination of this Lease unless written notice of the default, by certified or registered mail, is delivered to Lessee by Lessor at the last known address for Lessee, and Lessee fails to remedy the default within sixty (60) days after receipt of said notice. If Lessee remains in default for more than sixty (60) days after receipt of said notice, this Lease shall then terminate automatically.
9. Lessor warrants title to Lessor's Land and agrees that Lessee has the free right of ingress and egress on, over, and across

STATE OF KANSAS)
) ss.
COUNTY OF MONTGOMERY)

On this 21 day of April, 2006, before me, the undersigned notary public, personally appeared Lonnie H Mick and Clare L Mick, known to me to be the persons whose names are subscribed to the within instrument and acknowledged they executed the same for the purposes therein contained.

In witness whereof, I hereunto set my hand and official seal.



My Commission Expires: 02.02.2010

James K. Pierce
Notary

STATE OF Kansas)
) ss.
COUNTY OF Johnson)

On this 2nd day of June, 2006, before me, the undersigned notary public, personally appeared Andrew Mac Ewen, known to me to be the persons whose names are subscribed to the within instrument and acknowledged they executed the same for the purposes therein contained.

In witness whereof, I hereunto set my hand and official seal.

My Commission Expires: 10/14/2008

M. Allen
Notary

