



For KCC Use:
 Effective Date: _____
 District # _____
 SGA? Yes No

KANSAS CORPORATION COMMISSION 1019076
OIL & GAS CONSERVATION DIVISION

Form C-1
 October 2007

Form must be Typed
Form must be Signed
All blanks must be Filled

NOTICE OF INTENT TO DRILL

Must be approved by KCC five (5) days prior to commencing well

Expected Spud Date: _____
 month day year

OPERATOR: License# _____
 Name: _____
 Address 1: _____
 Address 2: _____
 City: _____ State: _____ Zip: _____ + _____
 Contact Person: _____
 Phone: _____

CONTRACTOR: License# _____
 Name: _____

Well Drilled For:	Well Class:	Type Equipment:
<input type="checkbox"/> Oil	<input type="checkbox"/> Enh Rec	<input type="checkbox"/> Infield
<input type="checkbox"/> Gas	<input type="checkbox"/> Storage	<input type="checkbox"/> Pool Ext.
	<input type="checkbox"/> Disposal	<input type="checkbox"/> Wildcat
<input type="checkbox"/> Seismic ; _____ # of Holes	<input type="checkbox"/> Other	<input type="checkbox"/> Mud Rotary
<input type="checkbox"/> Other: _____		<input type="checkbox"/> Air Rotary
		<input type="checkbox"/> Cable

If OWWO: old well information as follows:

Operator: _____
 Well Name: _____
 Original Completion Date: _____ Original Total Depth: _____

Directional, Deviated or Horizontal wellbore? Yes No
 If Yes, true vertical depth: _____
 Bottom Hole Location: _____
 KCC DKT #: _____

Spot Description: _____
 _____ - _____ - _____ - _____ Sec. _____ Twp. _____ S. R. _____ E W
 (00/000) _____ feet from N / S Line of Section
 _____ feet from E / W Line of Section

Is SECTION: Regular Irregular?
 (Note: Locate well on the Section Plat on reverse side)

County: _____
 Lease Name: _____ Well #: _____
 Field Name: _____

Is this a Prorated / Spaced Field? Yes No

Target Formation(s): _____
 Nearest Lease or unit boundary line (in footage): _____

Ground Surface Elevation: _____ feet MSL

Water well within one-quarter mile: Yes No

Public water supply well within one mile: Yes No

Depth to bottom of fresh water: _____

Depth to bottom of usable water: _____

Surface Pipe by Alternate: I II

Length of Surface Pipe Planned to be set: _____

Length of Conductor Pipe (if any): _____

Projected Total Depth: _____

Formation at Total Depth: _____

Water Source for Drilling Operations:

Well Farm Pond Other: _____

DWR Permit #: _____

(Note: Apply for Permit with DWR)

Will Cores be taken? Yes No

If Yes, proposed zone: _____

AFFIDAVIT

The undersigned hereby affirms that the drilling, completion and eventual plugging of this well will comply with K.S.A. 55 et. seq.

It is agreed that the following minimum requirements will be met:

1. Notify the appropriate district office **prior** to spudding of well;
2. A copy of the approved notice of intent to drill **shall be** posted on each drilling rig;
3. The minimum amount of surface pipe as specified below **shall be set** by circulating cement to the top; in all cases surface pipe **shall be set** through all unconsolidated materials plus a minimum of 20 feet into the underlying formation.
4. If the well is dry hole, an agreement between the operator and the district office on plug length and placement is necessary **prior to plugging**;
5. The appropriate district office will be notified before well is either plugged or production casing is cemented in;
6. If an ALTERNATE II COMPLETION, production pipe shall be cemented from below any usable water to surface within **120 DAYS** of spud date. Or pursuant to Appendix "B" - Eastern Kansas surface casing order #133,891-C, which applies to the KCC District 3 area, alternate II cementing must be completed within 30 days of the spud date or the well shall be plugged. **In all cases, NOTIFY district office** prior to any cementing.

Submitted Electronically

For KCC Use ONLY

API # 15 - _____

Conductor pipe required _____ feet

Minimum surface pipe required _____ feet per ALT. I II

Approved by: _____

This authorization expires: _____
 (This authorization void if drilling not started within 12 months of approval date.)

Spud date: _____ Agent: _____

Remember to:

- File Drill Pit Application (form CDP-1) with Intent to Drill;
- File Completion Form ACO-1 within 120 days of spud date;
- File acreage attribution plat according to field proration orders;
- Notify appropriate district office 48 hours prior to workover or re-entry;
- Submit plugging report (CP-4) after plugging is completed (within 60 days);
- Obtain written approval before disposing or injecting salt water.
- If this permit has expired (See: authorized expiration date) please check the box below and return to the address below.

Well Not Drilled - Permit Expired Date: _____
 Signature of Operator or Agent: _____



1019076

IN ALL CASES PLOT THE INTENDED WELL ON THE PLAT BELOW

Plat of acreage attributable to a well in a prorated or spaced field

If the intended well is in a prorated or spaced field, please fully complete this side of the form. If the intended well is in a prorated or spaced field complete the plat below showing that the well will be properly located in relationship to other wells producing from the common source of supply. Please show all the wells and within 1 mile of the boundaries of the proposed acreage attribution unit for gas wells and within 1/2 mile of the boundaries of the proposed acreage attribution unit for oil wells.

API No. 15 - _____

Operator: _____

Lease: _____

Well Number: _____

Field: _____

Number of Acres attributable to well: _____

QTR/QTR/QTR/QTR of acreage: _____ - _____ - _____ - _____

Location of Well: County: _____

_____ feet from N / S Line of Section

_____ feet from E / W Line of Section

Sec. _____ Twp. _____ S. R. _____ E W

Is Section: Regular or Irregular

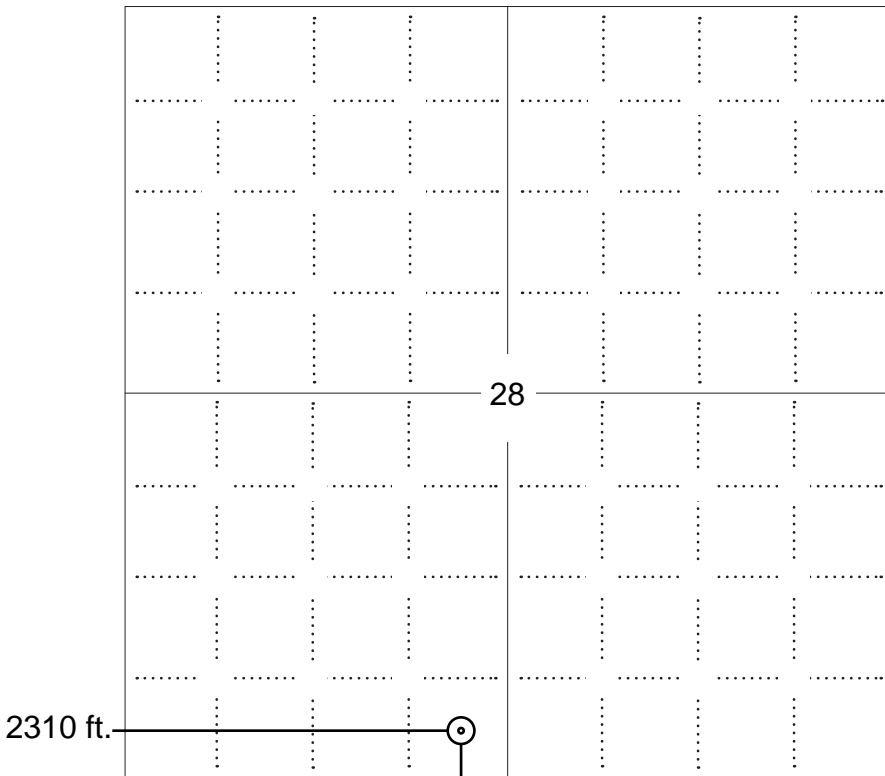
If Section is Irregular, locate well from nearest corner boundary.

Section corner used: NE NW SE SW

PLAT

(Show location of the well and shade attributable acreage for prorated or spaced wells.)

(Show footage to the nearest lease or unit boundary line.)



NOTE: In all cases locate the spot of the proposed drilling location.



In plotting the proposed location of the well, you must show:

1. The manner in which you are using the depicted plat by identifying section lines, i.e. 1 section, 1 section with 8 surrounding sections, 4 sections, etc.
2. The distance of the proposed drilling location from the south / north and east / west outside section lines.
3. The distance to the nearest lease or unit boundary line (in footage).
4. If proposed location is located within a prorated or spaced field a certificate of acreage attribution plat must be attached: (C0-7 for oil wells; CG-8 for gas wells).



KANSAS CORPORATION COMMISSION 1019076
OIL & GAS CONSERVATION DIVISION

Form CDP-1
April 2004
Form must be Typed

APPLICATION FOR SURFACE PIT

Submit in Duplicate

Operator Name: _____		License Number: _____	
Operator Address: _____			
Contact Person: _____		Phone Number: _____	
Lease Name & Well No.: _____		Pit Location (QQQQ): _____-_____-_____-_____	
Type of Pit: <input type="checkbox"/> Emergency Pit <input type="checkbox"/> Burn Pit <input type="checkbox"/> Settling Pit <input type="checkbox"/> Drilling Pit <input type="checkbox"/> Workover Pit <input type="checkbox"/> Haul-Off Pit <i>(If WP Supply API No. or Year Drilled)</i>		Pit is: <input type="checkbox"/> Proposed <input type="checkbox"/> Existing If Existing, date constructed: _____ Pit capacity: _____ (bbls)	
Is the pit located in a Sensitive Ground Water Area? <input type="checkbox"/> Yes <input type="checkbox"/> No		Chloride concentration: _____ mg/l <i>(For Emergency Pits and Settling Pits only)</i>	
Is the bottom below ground level? <input type="checkbox"/> Yes <input type="checkbox"/> No		Artificial Liner? <input type="checkbox"/> Yes <input type="checkbox"/> No	
How is the pit lined if a plastic liner is not used?		_____	
Pit dimensions (all but working pits): _____ Length (feet) _____ Width (feet) _____ N/A: Steel Pits Depth from ground level to deepest point: _____ (feet) _____ No Pit			
If the pit is lined give a brief description of the liner material, thickness and installation procedure.		Describe procedures for periodic maintenance and determining liner integrity, including any special monitoring.	
Distance to nearest water well within one-mile of pit _____ feet Depth of water well _____ feet		Depth to shallowest fresh water _____ feet. Source of information: _____ measured _____ well owner _____ electric log _____ KDWR	
Emergency, Settling and Burn Pits ONLY: Producing Formation: _____ Number of producing wells on lease: _____ Barrels of fluid produced daily: _____ Does the slope from the tank battery allow all spilled fluids to flow into the pit? <input type="checkbox"/> Yes <input type="checkbox"/> No		Drilling, Workover and Haul-Off Pits ONLY: Type of material utilized in drilling/workover: _____ Number of working pits to be utilized: _____ Abandonment procedure: _____ _____ Drill pits must be closed within 365 days of spud date.	
Submitted Electronically			

KCC OFFICE USE ONLY		Steel Pit	RFAC	RFAS
Date Received: _____	Permit Number: _____	Permit Date: _____	Lease Inspection: <input type="checkbox"/> Yes <input type="checkbox"/> No	

OIL AND GAS LEASE

(PAID-UP)

AGREEMENT, Made and entered into this 25th day of May, 2005, by and between Mary Elizabeth Merrill Wolfe, Co-Trustee and Bank of Oklahoma, N.A., Agent for Commerce Bank, N.A., Co-Trustee of the H. A. Merrill Testamentary Trust, P.O. Box 3499, Tulsa, Oklahoma 74101, Party of the first part, hereinafter called Lessors (whether one or more), and Castelli Exploration, Inc., 6908 NW 112th Street, Oklahoma City, Oklahoma 73162, Party of the second part, hereinafter called lessee.

WITNESSETH, That the said lessor, for and in consideration of TEN (\$10.00) OR MORE DOLLARS, cash in hand paid, receipt of which is hereby acknowledged and of the covenants and agreements hereinafter contained on the part of lessee to be paid, kept and performed, has granted, demised, leased and let and by these presents does grant, demise, lease and let unto the said lessee, for the sole and only purpose of exploring by geophysical and other methods, mining and operating for oil (including but not limited to distillate and condensate), gas (including casinghead gas and helium and all other constituents), and for laying pipe lines, and building tanks, powers, stations and structures thereon, to produce, save and take care of said products, all that certain tract of land, together with any reversionary rights therein, situated in the County of Comanche State of Kansas, described as follows, to-wit:

TOWNSHIP 33 SOUTH, RANGE 16 WEST :

Section 23: S/2


Section 26: All

Section 28: S/2

Section 34: All

Section 35: W/2

20050890
STATE OF KANSAS, COMANCHE COUNTY
This instrument was filed for Record on
09/12/2005 at 11:30 AM and duly recorded
Book 103 Page 0797 Fees \$37.00

Guyneth Snyder, Register of Deeds 

TOWNSHIP 34 SOUTH, RANGE 16 WEST:

Section 3: All

and containing 2,880.0 acres, more or less.

It is agreed that this lease shall remain in force for a term of Three (3) years from date (herein called primary term) and as long thereafter as oil or gas, or either of them, is produced from said land by the lessee.

In consideration of the premises the said lessee covenants and agrees:

1st. To deliver to the credit of lessor free of cost, in the pipe line to which it may connect its well, the 5/32 part of all oil (including but not limited to condensate and distillate) produced and saved from the leased premises.

2nd. To pay lessor for gas of whatsoever nature or kind (with all of its constituents) produced and sold or used off the lease premises, or used in the manufacture of products therefrom, 5/32 of the gross proceeds received for the gas sold, used off the premises, or in the manufacture of products therefrom, but in no event more than 5/32 of the gross proceeds or 5/32 of the actual amount received by the lessee, said payments to be made monthly. During any period (whether before or after expiration of the primary term hereof) when gas is not being so sold or

used and the well or wells are shut in and there is no current production of oil or operations on said leased premises sufficient to keep this lease in force, lessee shall pay or tender a royalty of Five Dollars (\$5.00) per year per net royalty acre retained hereunder, such payment or tender to be made, on or before the anniversary date of this lease next ensuing after the expiration of ninety (90) days from the date such well is shut in and thereafter on the anniversary date of this lease during the period such well is shut in, to the royalty owners. When such payment or tender is made it will be considered that gas is being produced within the meaning of the entire lease.

3rd. To pay Lessor for a gas produced from any oil well and used off the premises, or for the manufacture of casing-head gasoline or dry commercial gas, 5/32 of the gross proceeds, at the mouth of the well, received by lessee for the gas during the time such gas shall be used, said payments to be made monthly.

If the lessee shall commence to drill a well or commence reworking operations on an existing well within the term of this lease or any extension thereof, or on acreage pooled therewith, the lessee shall have the right to drill such well to completion or complete reworking operations 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 term of years first mentioned.

Lessee is hereby granted the right at any time and from time to time to unitize the leased premises or any portion or portions thereof, as to all strata or any stratum or strata, with any other lands as to all strata or any stratum or strata, for the production primarily of oil or primarily of gas with or without distillate. However, no unit for the production primarily of oil shall embrace more than 40 acres, or for the production primarily of gas with or without distillate more than 640 acres; provided that if any governmental regulation shall prescribe a spacing pattern for the development of the field or allocate a producing allowable based on acreage per well, then any such unit may embrace as much additional acreage as may be so prescribed or as may be used in such allocation of allowable. Lessee shall file written unit designations in the county in which the leased premises are located. Operations upon and production from the unit shall be treated as if such operations were upon or such production were from the leased premises whether or not the well or wells are located thereon. The entire acreage within a unit shall be treated for all purposes as if it were covered by and included in this lease except that the royalty on production from the unit shall be as below provided, and except that in calculating the amount of any shut in gas royalties, only the part of the acreage originally leased and then actually embraced by this lease shall be counted. In respect to production from the unit, Lessee shall pay Lessor, in lieu of other royalties thereon, only such proportion of the royalties, stipulated herein as the amount of his acreage placed in the unit, or his royalty interest therein on an acreage basis bears to the total acreage in the unit.

If said lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties herein provided shall be paid to the lessor only in the proportion which his interest bears to the whole and undivided fee.

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 wells of lessor.

Lessee shall bury his pipe 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 for all damages caused by its operations on said land.

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 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. However, no change or division in ownership of the land or royalties shall enlarge the obligations or diminish the rights of Lessee. No change in the

ownership of the land or royalties shall be binding on the Lessee until it has been furnished with a written transfer or assignment or a true copy thereof. In case lessee assigns this lease, in whole or in part, Lessee shall be relieved of all obligations with respect to the assigned portion or portions arising subsequent to the date of assignment.

All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules and Regulations, and this lease shall not be terminated, in whole or in part, nor lessee held liable in damages, for failure to comply therewith, if compliance is prevented by, or such failure is the result of any such Law, Order, Rule or Regulation.

This lease shall be effective as to each lessor or execution hereof as to his or her interest and shall be binding on those signing, notwithstanding some of the lessors above named may not join in the execution hereof. The word "Lessor" as used in this lease means the party or parties who execute this lease as Lessor, although not named above.

Lessee may at any time and from time to time surrender this lease as to any part or parts of the leased premises by delivering or mailing a release thereof to lessor, or by placing a release of record in the proper County.

Lessor hereby 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.

Notwithstanding any provisions of this Oil and Gas Lease to the contrary, it is understood that this Oil and Gas Lease shall be subject to the terms and provisions on Exhibit "A" and "B", attached to and made a part hereof.

IN TESTIMONY WHEREOF, we sign this the 25th day of May, 2005.

H. A. MERRILL TESTAMENTARY TRUST:

- (0.02778) FBO STEPHEN DREW MERRILL
- (0.02778) FBO CARRIE MERRILL
- (0.05557) FBO LAURA JEANE MERRILL
- (0.04165) FBO LISA HICKOK
- (0.1667) FBO MARY ELIZABETH MERRILL WOLFE
- (0.020825) FBO MATTHEW INSCO
- (0.020825) FBO MEGAN INSCO
- (0.05557) FBO PATRICIA HOLLINGSWORTH
- (0.04165) FBO R. SCOTT MERRILL
- (0.04165) FBO ROBIN SMITH

WITNESS:

Bryan V. Kelly

Mary Elizabeth Merrill Wolfe
Mary Elizabeth Merrill Wolfe, Co-Trustee

ATTEST:

Annette E. Consalvi
Annette E. Consalvi, Assistant Cashier

Thomas W. Wahl
Thomas W. Wahl, Vice President and Trust Officer
Bank of Oklahoma, N.A., Agent for Commerce
Bank, N.A., Co-Trustee
(Lessor)

EXHIBIT "A"

This Exhibit "A" is attached to and made a part of that certain Oil and Gas Lease dated May 25, 2005, between **Mary Elizabeth Merrill Wolfe, Co-Trustee and Bank of Oklahoma, N.A., Agent for Commerce Bank, N.A., Co-Trustee of the H. A. Merrill Testamentary Trust**, as Lessor, and **Castelli Exploration, Inc.**, as Lessee, covering the following described lands in Comanche County, Kansas:

TOWNSHIP 33 SOUTH, RANGE 16 WEST :

Section 23: S/2

Section 26: All

Section 28: S/2

Section 34: All

Section 35: W/2

TOWNSHIP 34 SOUTH, RANGE 16 WEST:

Section 3: All

Anything contained herein to the contrary notwithstanding it is understood that:

1. This lease covers only oil, gas and other related hydrocarbons and constituent elements (including sulphur) which may be produced with oil or gas: any reference to "other minerals" is hereby deleted.
2. It is agreed that this lease may not be maintained for a period of time longer than twenty-four (24) **months consecutive or otherwise**, beyond the primary term hereof solely by the provision of a shut-in gas well as set out above.
3. If at the expiration of the primary term of this lease or any extension thereof which may occur in accordance with any provisions contained in this lease, any part or parts of the herein leased land that is not included within a well unit or units from which production of either oil, gas and other related hydrocarbons and constituent elements (including sulphur) is being obtained, this lease shall terminate as to such part or parts of the leased land which is not included within such producing well unit or units.
4. At the expiration of the primary term of this lease or any extension thereof which may occur in accordance with any provisions contained in this lease, rights under this lease shall terminate as to all depths below 100 feet below the total depth drilled in the deepest well commenced on or before the expiration of the primary term on the leased premises or on any land pooled therewith. **Actual drilling operations on the lease or lands pooled or unitized therewith at the expiration of the primary term or any extension thereof shall maintain the lease in full force and effect if such operations result in an oil and/or gas well capable of producing in paying quantities.**
5. Lessee and its successors and assigns shall have the right at any time to surrender this lease, in whole or in part, to Lessor, its successors and assigns, by delivering or mailing a release thereof to the Lessor, AND by placing a release thereof of record in the county in which said land is situated, and thereupon Lessee shall be relieved from all obligations and liabilities thereafter accruing but not theretofore accrued.
6. As an additional consideration hereof, Lessee, its heirs, assigns, or successors agrees that it will be and remain solely responsible for any and all liability arising from or otherwise resulting from its operations conducted on or for the benefit of the leased premises and will indemnify lessor and hold lessor harmless from any loss, claim or damage in such respect, including, but not by way of limitation, the proper plugging and abandonment of all wells drilled thereon under the terms of this lease.

7. Lessee, his successors and assigns, hereby agree that, for the purpose of calculating royalty payments hereunder on all production from the leased premises, such calculations shall be made at the point of sale and shall be free of any and all delivery costs and shall not be burdened by any costs of production, including but not limited to, transportation expenses or any expenses associated with or attributable to treatment, gathering, trucking, processing or pipeline construction and maintenance.
8. This lease is given and granted without warranty, express or implied, in law or in equity.
9. Lessor shall have the right to have daily drilling reports, copies of all logs, reports and records of production of all wells drilled by Lessee on the leased land; copies of all forms furnished to any governmental authority; copy of plugging report, if any; copy of all drillstem tests. All these rights may be exercised by Lessor's representatives thereunto duly authorized in writing; provided that Lessor shall maintain confidentiality of all such information furnished by Lessee and shall communicate no part thereof to third parties without Lessee's written approval.
10. Lessee represents that he is not an officer, director, or employee of BOK Financial Corporation, its subsidiaries, or any of its member banks, nor does Lessee anticipate assigning this lease to any of these parties.
11. Lessee shall notify Lessor of any assignment of Lessee's rights hereunder, stating the name and current mailing address of the Assignee, and shall furnish a copy of such assignment within 60 days of its recording in the county records.
12. **Upon expiration of the primary term or any extensions as provided herein, this lease shall terminate as to all tracts not within a producing unit. Such units shall not exceed 40.0 acres for oil and 640.0 acres for gas production.**

EXHIBIT "B"

SURFACE AMENDMENTS

This Exhibit "B" is attached to and made a part of that certain Oil and Gas Lease dated May 25, 2005 between **Mary Elizabeth Merrill Wolfe, Co-Trustee and Bank of Oklahoma, N.A., Agent for Commerce Bank, N.A., Co-Trustee of the H. A. Merrill Testamentary Trust**, as Lessor, and **Castelli Exploration, Inc.**, as Lessee, covering the following described lands in Comanche County, Kansas:

TOWNSHIP 33 SOUTH, RANGE 16 WEST :

Section 23: S/2
Section 26: All
Section 28: S/2
Section 34: All
Section 35: W/2

TOWNSHIP 34 SOUTH, RANGE 16 WEST:

Section 3: All

1. It is understood and agreed that Lessee, its successor or assigns, shall pay actual damages to Lessor and/or Surface Lessee for any damage done to crops, pasture land, timber, fences, water wells, buildings, roads, culverts or other improvements as well as livestock owned by the Lessor and/or Surface Lessee located on the lease premises, resulting from their use by Lessee in connection with geophysical exploration thereof, or other mineral development thereon, by Lessee, its successors or assigns. Upon the cessation of drilling at each well location, the abandonment of said lease or surrender thereof, Lessee, its successor or assigns, shall then level all drilling pits and other excavations and shall pay for and repair all damage done, or cause to be done, to buildings, fences, roads, culverts, turf, water wells and/or other improvements and to restore same to their original condition with 90 days after the cessation of activity. No drilling mud shall be spread on surface lands of Lessor without express written consent of Lessor. Guidelines or parameters for any surface damage payments shall be agreed on in advance, and in writing, by Lessor and Lessee.
2. Lessee's right to use water from the lease premises shall not include the right to use fresh water from any fresh water sands or strata underlying the lease premises for any secondary recovery operations that may be conducted on the leased premises. Lessee shall have the right to use fresh water from wells or surface impoundment's only with the expressed permission of the Lessor and after negotiations for payment for use of water are completed.
3. All operations of Lessee shall be conducted so as to minimize the amount of surface land used or damaged by Lessee and Lessee agrees to construct not more than one road to each location on the leased premises and to confine all travel incident to the drilling and production of such well to the single road. All roads constructed by Lessee shall be of good quality and suitable for all-weather use. The routes for all roads shall be mutually agreed upon between Lessor and Lessee before the commencement of any road construction. Lessee agrees to maintain all roads used by Lessee on the leased premises in good condition and repair during the period of Lessee's operations on the lease premises. The surface owner or surface Lessee shall have the right to use all roads on the leased premises.
4. It is understood and agreed that this lease does not cover or include any right or privilege of hunting or fishing on the leased premises, unless otherwise agreed to in writing with owners of said rights.
5. Prior to erecting new storage tanks, pipelines compressor stations or other usual facilities required by Lessee for producing oil and gas and operating this lease.

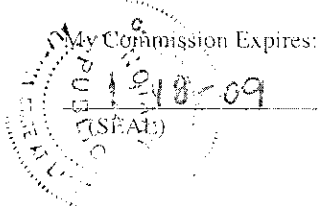
Lessor and Lessee will mutually select a site or sites for locating such equipment and pipelines taking into consideration the ranching and farming operation of Lessor and Lessee's needs in conducting its operations under the terms of this lease in a reasonable manner.

6. Lessee prior to the construction of any new road or the cutting, altering and removal of any existing fence on the leased premises, or the cutting or removal of any tree on the leased premises, shall notify Lessor of such intention and shall be governed by the Lessor's wishes. Lessee shall dispose of all brush, trees, trash and debris away from the property. Under no circumstances will trash, garbage or debris be buried or dumped on the property or adjacent lands of lessor. Brush and trees may be buried or burned on the property only with written permission from owner or his representative.
7. Lessee agrees to protect, defend, indemnify and hold harmless Lessor the owners of the surface of the Leased Premises, and their respective agent, employees and tenants, from and against all liabilities, losses, expenses, claims, demands, and causes of action of every kind and character, whether for death or personal injury to persons (including agents and employees of Lessee and Lessee's subcontractors) for loss or damage to property, in any way and at any time arising out of, incident to, or in connection with this Lease, operations conducted on the Leased Premises, or breach of the terms hereof.
8. Each drill site location shall be constructed so as to result in the least interference with surface usage as reasonably practicable under the circumstances. All pits shall be constructed and lined so as not to pollute the adjoining land at the request of Lessor. Lessee shall take all reasonable precautions necessary to prevent land, air and water pollution, including pollution to all underground fresh water zones. Lessee shall utilize only such area around each producing well as is reasonably necessary for such purposes, and Lessee shall restore the remainder of such drill site to its original condition as nearly as possible within a reasonable time after the completion of operations on each drill site. Where no production is established, Lessee shall clear the location, remove all equipment placed upon the drill site by the Lessee, clean out and back fill all pits, and return the surface of the drill site to its original condition as nearly as possible. Lessee shall construct and maintain gates at all places where any roads used by Lessee cross through fences on the Leased Premises, and Lessee shall keep such gates locked when not actually passing through such gates. Upon termination of Lessee's operations on the Leased Premises, Lessee shall restore the surface of all lands utilized by Lessee, and not theretofore restored, to their original condition as nearly as possible. Within six (6) months after the termination of this Lease, Lessee shall remove any and all property placed by Lessee on the Leased Premises or Lessor shall cause same to be removed at Lessee's expense.
9. Lessee is to comply with all Federal and State regulations relating to its operations hereunder.
10. Lessee shall fence all slushpits and area containing equipment, chemicals or other substance which may be harmful to livestock. Lessee shall pay market value for any and all livestock lost as a result of lessee's operations under this lease.
11. All pipelines are to be buried 36 inches below the ground, which will be from the top of the pipe to the surface of the ground.
12. Lessee shall not conduct any operations within one-quarter (1/4) mile of any homestead, living quarters, livestock watering facilities, natural or man made ponds, springs, creeks, rivers, or designated wet lands without express consent of Lessor.

STATE OF Alabama § *INDIVIDUAL ACKNOWLEDGMENT*
COUNTY OF Baldwin §

Before me, the undersigned authority, on this 8th day of July 2005, personally appeared **Mary Elizabeth Merrill Wolfe** known to me to be the identical person who subscribed the name of **Co-Trustee of the H. A. Merrill Testamentary Trust**, to the foregoing instrument, and acknowledged to me that she had willingly made and executed it as her free and voluntary act and deed and as the free and voluntary act and deed as such Co-Trustee, for the uses and purposes therein expressed.

WITNESS my hand and official seal the day and year last above written.

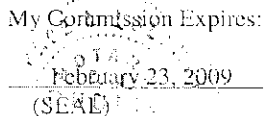


C. Rebecca Nance
C. Rebecca Nance, Notary Public

STATE OF OKLAHOMA § *CORPORATE ACKNOWLEDGMENT*
COUNTY OF TULSA §

Before me, the undersigned authority, on this 25th day of May 2005, personally appeared **Thomas W. Wahl** and **Annette E. Consalvi**, known to me to be the identical persons who subscribed the name of **Bank of Oklahoma, N.A., Agent for Commerce Bank, N.A., Co-Trustee of the H. A. Merrill Testamentary Trust**, to the foregoing instrument as its **Vice President and Trust Officer** and **Assistant Cashier**, respectively, and acknowledged to me that they had willingly made and executed it as their free and voluntary act and deed and as the free and voluntary act and deed of such national banking association, as such Agent, for the uses and purposes therein expressed.

WITNESS my hand and official seal the day and year last above written.



Page L. Lollman
Page L. Lollman, Notary Public in and for the
State of Oklahoma, County of Tulsa
Commission #01003245



*Kathleen Sebelius, Governor
Thomas E. Wright, Chairman
Michael C. Moffet, Commissioner
Joseph F. Harkins, Commissioner*

May 29, 2008

Tisha Love
Castelli Exploration, Inc.
6908 NW 112TH
OKLAHOMA CITY, OK73162-2976

Re: Drilling Pit Application
Merrill Ranch Lease Well No. 2-28
SW/4 Sec.28-33S-16W
Comanche County, Kansas

Dear Tisha Love:

District staff has inspected the above referenced location and has determined that an unsealed condition will present a pollution threat to water resources.

District staff has recommended that the reserve pit be lined with bentonite or native clay, constructed **without slots**, the bottom shall be flat and reasonably level and the free fluids must be removed. The fluids are to be removed from the reserve pit as soon as the Hutchinson Salt section has been drilled through and displacement of the fluids into the reserve pit has occurred and again after drilling operations have ceased. **Keep pit away from ravine.**

If production casing is set all completion fluids shall be removed from the working pits daily. NO completion fluids or non-exempt wastes shall be placed in the reserve pit.

The fluids should be taken to an authorized disposal well. Please call the District Office at (620) 225-8888 when the fluids have been removed. Please file form CDP-5, Exploration and Production Waste Transfer, within 30 days of fluid removal. Conservation division forms are available through our office and on the KCC web site: kcc.ks.gov/conservation/forms/

A copy of this letter should be posted in the doghouse along with the approved Intent to Drill. If you have any questions or concerns please feel free to contact the District Office at (620) 225-8888.