



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

KANSAS CORPORATION COMMISSION 1020601
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
 (AAA/AAA) _____ 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

| |
|---|
| <p>For KCC Use ONLY</p> <p>API # 15 - _____</p> <p>Conductor pipe required _____ feet</p> <p>Minimum surface pipe required _____ feet per ALT. <input type="checkbox"/> I <input type="checkbox"/> II</p> <p>Approved by: _____</p> <p>This authorization expires: _____ (This authorization void if drilling not started within 12 months of approval date.)</p> <p>Spud date: _____ Agent: _____</p> |
|---|

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: _____



1020601

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

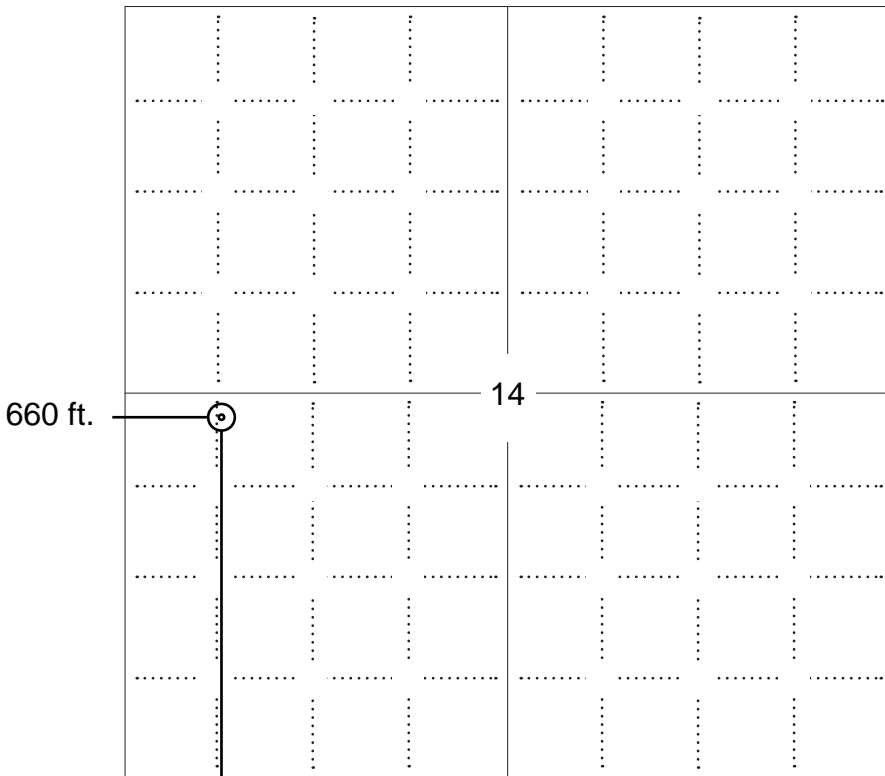
If Section is Irregular, locate well from nearest corner boundary.

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.

2470 ft.

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 1020601
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 UNIT AGREEMENT

WITNESSETH THAT:

WHEREAS, a certain oil and gas lease (Pugh Lease) dated November 28, 1984, recorded in the office of the Register of Deeds of Ness County, Kansas, in Book 188 at page 399, was executed by May E. Pugh, a widow, as Lessor, to Reach Oil Corporation, dba The Reach Group, as Lessee, covering the following-described real property located in Ness County, Kansas, to-wit:

Northwest Quarter (NW/4) of Section 14, Township 16 South, Range 21 West,
containing 160 acres

and,

WHEREAS, and a certain oil and gas lease (Sunley Lease) dated August 10, 2005, recorded in the same office in Book 295 at Page 541 was executed by Darrell Sunley, a single man, as Lessor, to American Energies Corporation, as Lessee, covering the following described real property in Ness County, Kansas to-wit:

Southwest Quarter (SW/4) of Section 14, Township 16 South, Range 21 West

and,

WHEREAS, the fee title to the above-described Northwest Quarter (NW/4) and all of the royalty payable under the Pugh Lease is owned by the undersigned John J. Stang as Executor of the Estate of May E. Pugh, Deceased; all of the working interest in the Pugh Lease insofar as it covers the Southwest Quarter of the Northwest Quarter (SW/4 NW/4) of said Section 14 is owned 1/8 thereof by the undersigned B-M Oil Company and 7/8 thereof by the undersigned Paul L. Cambron and Marilyn Cambron; and the undersigned Charleen Alexander as Trustee of the Charleen Alexander Revocable Living Trust, Big Sky Mineral Trust, Cobra Petroleum Company, Jimmy W. Gowens and Cheryl D. Gowens as joint tenants, Jeff T. Logan and Kathy D. Logan, Molli Computer Services, Inc., Southwest Petroleum Company, and Floyd C. Wilson are the owners of overriding royalty interests under the Pugh Lease, all as shown of record in Ness County, Kansas; and,

WHEREAS, the fee title to the above Southwest Quarter (SW/4) and all of the royalty payable under the Sunley Lease is owned by the undersigned Darrell Sunley, a single man, and Dennis Gottschalk and Silvia Gottschalk, and all of the working interest in the Sunley Lease insofar as it covers the Northwest Quarter of the Southwest Quarter (NW/4 SW/4) of said Section 14 is owned by the undersigned, American Energies Corporation, subject to no overriding royalty interests at this time, all as shown of record in Ness County, Kansas; and,

WHEREAS, the parties hereto desire to unitize their mineral, royalty and leasehold interests, including overriding royalty interests, as to the production of oil from the unit (the "Unit") created hereunder.

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KANSAS CORPORATION COMMISSION

JUL 18 2008

CONSERVATION DIVISION
WICHITA, KS

NOW, THEREFORE, for and in consideration of the mutual agreements and benefits of the parties hereunder, the parties enter into this Oil Unit Agreement (this "Agreement") and agree as follows:

1. Unitization. The parties hereby unitize, pool and consolidate all of the mineral, royalty and leasehold interests, including overriding royalty interests, in and under the Pugh Lease and the Sunley Lease to create a Unit consisting of two tracts ("Tracts"), the Northwest Quarter (NW/4) of the Southwest Quarter (SW/4) of said Section 14, a Tract under the Sunley Lease, and the Southwest Quarter (SW/4) of the Northwest Quarter (NW/4) of said Section 14, a Tract under the Pugh Lease, for the production of oil and its constituent products ("Unit Production") from any formation or zones (the "Unitized Formations") in the Tracts comprising the Unit all to the end that the Unit as to all of the Unitized Formations may be operated and produced the same as though it was included in one lease. As used herein, oil shall include casing head gas and other liquid hydrocarbons except gas condensate or distillate.

2. Continuation of Leases and Term Royalties. Operations, including drilling, reworking or other operations conducted on the Unit and production of oil from the Unit, except for purposes of determining payments to the owners of the royalty or overriding royalty interests, shall be considered as operations upon or production from each Tract and the Pugh Lease and the Sunley Lease covering the Tracts and each term mineral or royalty interest, if any, included in a Tract. Such operations or production shall continue in effect each of the Pugh and Sunley Leases or term mineral or royalty interests as to all lands covered thereby just as if such operations had been conducted upon and such production was from a well located on each Tract, Lease, or term mineral or royalty interest.

3. Allocation and Distribution of Unit Production. All Unit Production, except that used in operations on the Unit or unavoidably lost, shall be allocated fifty percent (50%) to each of the two Tracts. The amount of the Unit Production allocated to each Tract shall be distributed among or accounted for to the persons entitled to share in the production from such Tract in the same manner, in the same proportions, and upon the same conditions as they would have participated and shared in the production from such Tract, or in the proceeds thereof, had this Agreement not been entered into and with the same legal effect. If any interest of an owner of a royalty interest in a Tract is or becomes divided as to different parts of the Tract, the owners of the divided interests, in the absence of an agreement providing for a different division, shall share in the Unit Production allocated to the Tract or in the proceeds thereof in proportion to the surface acreage of their respective parts of the Tract.

4. Existing Division Orders. As the Unit Production allocated to each Tract is to be distributed the same as if this Agreement had not been entered into, no division order or other contract relating to the sale or the purchase of production from a Tract shall be terminated by this Agreement, but shall remain in force and apply to Unit Production allocated to such Tract until terminated in accordance with the provisions of such division order or contract.

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CONSERVATION DIVISION
WICHITA, KS

5. Use of Unit Production. The operator of the Unit may use or consume as much of the Unit Production as it deems necessary for unit operations. No royalty, overriding royalty, production or other payment shall be payable upon or with respect to Unit Production used or consumed in Unit operations or which otherwise may be lost or consumed in production, handling, treating, transportation or storing of Unit Production.

6. Amendment of Leases and Other Agreements. The provisions of the Pugh Lease and Sunley Lease and other agreements covering or pertaining to the Tracts, operations of the Tracts, and production from the Tracts are amended only to the extent necessary to give effect to the provisions of this Agreement which shall otherwise remain in effect as presently written, including without limitation, those pertaining to the rights to use of the surface for operations, and salvaging equipment and restoration of the premises upon termination of the lease.

7. Operator of Unit. It is understood that American Energies Corporation shall be the operator of the Unit pursuant to an Operating Agreement entered into with itself as the working interest owner of the Sunley Lease and with the working interest owners of the Pugh Lease. Such Operating Agreement shall govern the rights and duties of the operator in operating the Unit.

8. Term. The Term of this Agreement shall be from the effective date of this Agreement and as long thereafter as the Pugh Lease and Sunley Lease are continued in force and effect but may be terminated at any time by the agreement of all owners of working interests in those leases insofar as they cover the acreage in the Unit or any part thereof. The effective date of this Agreement shall be the date that this Agreement or any counterpart of this Agreement is recorded in the office of the Register of Deeds in Ness County, Kansas.

9. Covenant Running with the Land. This Agreement shall extend to, be binding upon and inure to the benefit of, the respective heirs, devisees, legal representatives, successors and assigns of the parties hereto and shall constitute a covenant running with the lands, leases and interests described or referred to herein.

10. Execution of Agreement. This Agreement may be executed in copies or counterparts, each of which shall be deemed to be an original, or by execution of a ratification of this Agreement, and shall be binding on each party executing the same at the time of such execution whether or not a counterpart or ratification is executed by any other party or parties. The signature and acknowledgment pages of each copy or counterpart of this Agreement may be assembled on one instrument for recording purposes.

IN WITNESS WHEREOF, the undersigned execute this Agreement on the dates shown by their respective acknowledgments.