



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

KANSAS CORPORATION COMMISSION 1053650
 OIL & GAS CONSERVATION DIVISION

Form C-1
 March 2010

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

Form KSONA-1, Certification of Compliance with the Kansas Surface Owner Notification Act, MUST be submitted with this form.

Expected Spud Date: _____
month day year

Spot Description: _____

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

_____-_____-_____-_____-_____-_____-_____-_____-_____-_____-_____-_____-_____-_____-_____-
(Q/Q/Q/Q) Sec. _____ Twp. _____ S. R. _____ E W
 _____ 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)

CONTRACTOR: License# _____
 Name: _____

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: _____ <small>(This authorization void if drilling not started within 12 months of approval date.)</small></p> <p>Spud date: _____ Agent: _____</p>
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Remember to:

- File Certification of Compliance with the Kansas Surface Owner Notification Act (KSONA-1) with Intent to Drill;
- 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 well will not be drilled or permit has expired (See: authorized expiration date) please check the box below and return to the address below.

Well will not be drilled or Permit Expired Date: _____
 Signature of Operator or Agent: _____

E
 W



1053650

For KCC Use ONLY

API # 15 - _____

IN ALL CASES PLOT THE INTENDED WELL ON THE PLAT BELOW

In all cases, please fully complete this side of the form. Include items 1 through 5 at the bottom of this page.

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

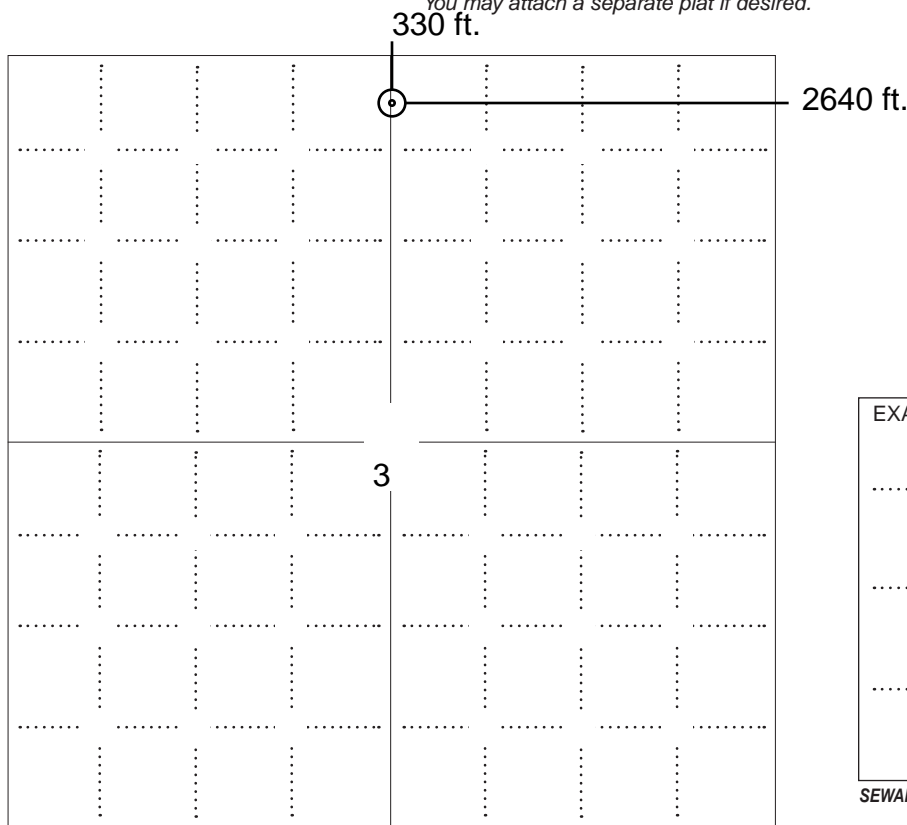
Is Section: Regular or Irregular

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

Section corner used: NE NW SE SW

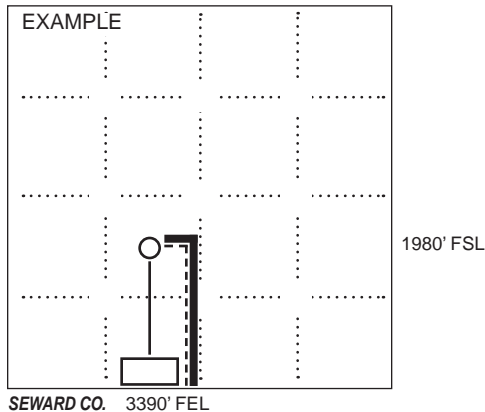
PLAT

Show location of the well. Show footage to the nearest lease or unit boundary line. Show the predicted locations of lease roads, tank batteries, pipelines and electrical lines, as required by the Kansas Surface Owner Notice Act (House Bill 2032). You may attach a separate plat if desired.



LEGEND

- Well Location
- Tank Battery Location
- Pipeline Location
- Electric Line Location
- Lease Road Location



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

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).
5. The predicted locations of lease roads, tank batteries, pipelines, and electrical lines.



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) <input type="checkbox"/> N/A: Steel Pits Depth from ground level to deepest point: _____ (feet) <input type="checkbox"/> 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: <input type="checkbox"/> measured <input type="checkbox"/> well owner <input type="checkbox"/> electric log <input type="checkbox"/> 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.	
<p>Submitted Electronically</p>			

KCC OFFICE USE ONLY

Liner Steel Pit RFAC RFAS

Date Received: _____ Permit Number: _____ Permit Date: _____ Lease Inspection: Yes No



CERTIFICATION OF COMPLIANCE WITH THE KANSAS SURFACE OWNER NOTIFICATION ACT

This form must be submitted with all Forms C-1 (Notice of Intent to Drill); CB-1 (Cathodic Protection Borehole Intent); T-1 (Request for Change of Operator Transfer of Injection or Surface Pit Permit); and CP-1 (Well Plugging Application). Any such form submitted without an accompanying Form KSONA-1 will be returned.

Select the corresponding form being filed: C-1 (Intent) CB-1 (Cathodic Protection Borehole Intent) T-1 (Transfer) CP-1 (Plugging Application)

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

Well Location:
____ - ____ - ____ - ____ Sec. ____ Twp. ____ S. R. ____ East West
County: _____
Lease Name: _____ Well #: _____

If filing a Form T-1 for multiple wells on a lease, enter the legal description of the lease below:

Surface Owner Information:

Name: _____
Address 1: _____
Address 2: _____
City: _____ State: _____ Zip: _____ + _____

When filing a Form T-1 involving multiple surface owners, attach an additional sheet listing all of the information to the left for each surface owner. Surface owner information can be found in the records of the register of deeds for the county, and in the real estate property tax records of the county treasurer.

If this form is being submitted with a Form C-1 (Intent) or CB-1 (Cathodic Protection Borehole Intent), you must supply the surface owners and the KCC with a plat showing the predicted locations of lease roads, tank batteries, pipelines, and electrical lines. The locations shown on the plat are preliminary non-binding estimates. The locations may be entered on the Form C-1 plat, Form CB-1 plat, or a separate plat may be submitted.

Select one of the following:

- I certify that, pursuant to the Kansas Surface Owner Notice Act (House Bill 2032), I have provided the following to the surface owner(s) of the land upon which the subject well is or will be located: 1) a copy of the Form C-1, Form CB-1, Form T-1, or Form CP-1 that I am filing in connection with this form; 2) if the form being filed is a Form C-1 or Form CB-1, the plat(s) required by this form; and 3) my operator name, address, phone number, fax, and email address.
- I have not provided this information to the surface owner(s). I acknowledge that, because I have not provided this information, the KCC will be required to send this information to the surface owner(s). To mitigate the additional cost of the KCC performing this task, I acknowledge that I am being charged a \$30.00 handling fee, payable to the KCC, which is enclosed with this form.

If choosing the second option, submit payment of the \$30.00 handling fee with this form. If the fee is not received with this form, the KSONA-1 form and the associated Form C-1, Form CB-1, Form T-1, or Form CP-1 will be returned.

I Submitted Electronically

I

For KCC Use ONLY

API # 15 - _____

IN ALL CASES PLOT THE INTENDED WELL ON THE PLAT BELOW

In all cases, please fully complete this side of the form. Include items 1 through 5 at the bottom of this page.

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

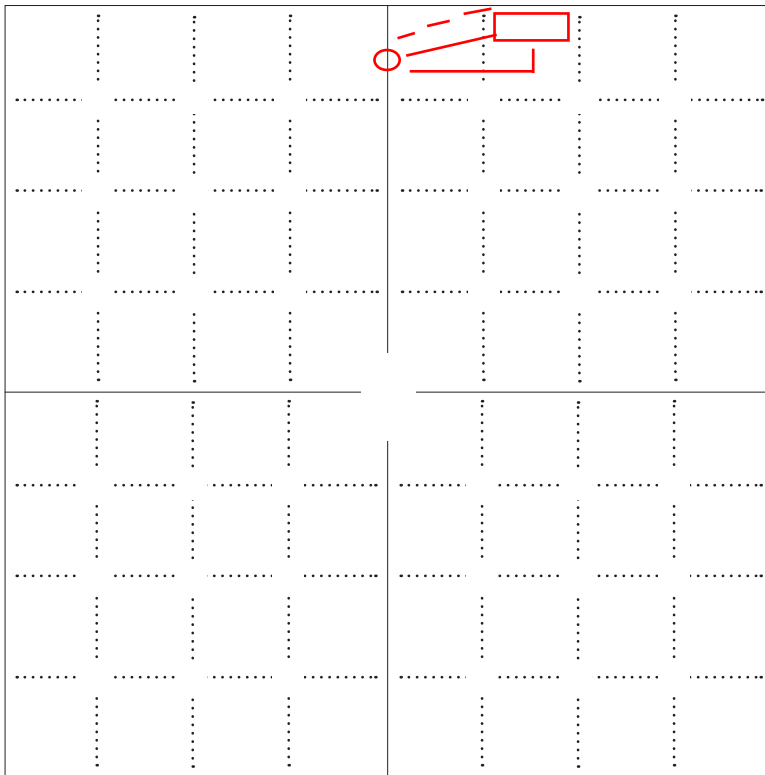
Is Section: Regular or Irregular

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

Section corner used: NE NW SE SW

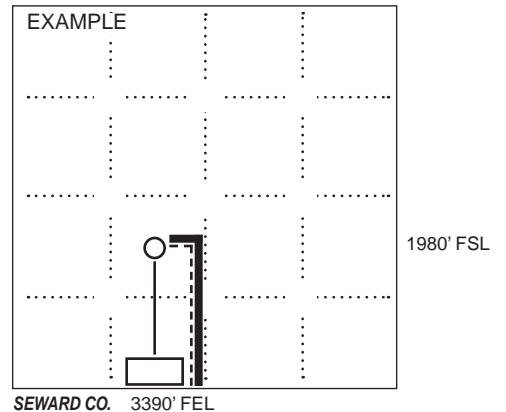
PLAT

Show location of the well. Show footage to the nearest lease or unit boundary line. Show the predicted locations of lease roads, tank batteries, pipelines and electrical lines, as required by the Kansas Surface Owner Notice Act (House Bill 2032). You may attach a separate plat if desired.



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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).
5. The predicted locations of lease roads, tank batteries, pipelines, and electrical lines.



EDWARD C. HAGEMAN, P.A.
Attorney at Law

Telephone (785) 425-6741
FAX (785) 425-6743

420 Main Street • P. O. Box 502
Stockton, Kansas 67669-0502

December 23, 2010

Black Diamond Oil, Inc.
Attn: Mr. Ken Vehige
P. O. Box 641,
Hays, KS 67601-0641

RE: Alexander-Thomas Unit - Tract in Sec. 3-8-21
Graham County, Kansas

Dear Ken:

Pursuant to your request, I examined the records in the offices of the Register of Deeds, the County Treasurer, and the District Court, excepting those proceedings considered privileged by the court under applicable statutes and excepting those instruments filed under the provisions of the Kansas Uniform Commercial Code unless the same are recorded as real estate mortgages and the Kansas Mortgage Registration Tax paid, affecting the title to the following described real estate in said county and state, to-wit:

THE EAST 500 FEET OF THE NORTHEAST QUARTER OF THE NORTHEAST QUARTER OF THE NORTHWEST QUARTER (NE¹/₄NE¹/₄NW¹/₄) (hereinafter Alexander Land) and THE WEST 500 FEET OF THE NORTHWEST QUARTER OF THE NORTHWEST QUARTER OF THE NORTHEAST QUARTER (NW¹/₄NW¹/₄NE¹/₄) (hereinafter Thomas Land) OF SECTION 3, TOWNSHIP 8 SOUTH, RANGE 21 WEST OF THE SIXTH P.M., Graham County, Kansas (hereinafter Unitized Area).

Pursuant to your request, my examination was limited and restricted to the determination of the validity of any existing oil and gas lease covering the above land. My examination was conducted December 22, 2010, and the records should be current as of 8:00 A.M. that date.

From my examination I am of the opinion that fee simple title in and to the above real estate is presently vested as follows:

ALEXANDER LAND:

Dale Alexander owns an undivided one-half ($\frac{1}{2}$) interest in the Surface Rights and an undivided one-fourth ($\frac{1}{4}$) Mineral Interest, fully participating and including reversionary rights following the term mineral interest set forth below;

Gary L. Alexander owns an undivided one-half ($\frac{1}{2}$) interest in the Surface Rights and an undivided one-fourth ($\frac{1}{4}$) Mineral Interest, fully participating and including reversionary rights following the term mineral interest set forth below; and

Wendell P. Sayers owns an undivided one-half ($\frac{1}{2}$) Mineral Interest, non-participating, during his lifetime;

THOMAS LAND:

Valeria G. Thomas owns fee simple title;

subject to the following comments and requirements:

1. By virtue of the **Declaration of Unitization** dated November 24, 2010, recorded in book 247, pages 843-5, the following oil and gas leases have been pooled and unitized to form the Alexander-Thomas Unit covering the Unitized Area described above.

a. **Oil and Gas Lease** dated November 11, 2010, recorded in Book 247, page 492, from Gary L. Alexander, single, and Dale Alexander, single, Lessors, to and in favor of Black Diamond Oil, Inc., Lessee, and covering:

THE NORTHEAST QUARTER OF THE NORTHEAST OF THE NORTHWEST QUARTER (NE $\frac{1}{4}$ NE $\frac{1}{4}$ NW $\frac{1}{4}$) OF SECTION 3, TOWNSHIP 8 SOUTH, RANGE 21 WEST OF THE SIXTH P.M.

Terms: For a primary term of two (2) years and as long thereafter as oil, gas, casinghead gas, casinghead gasoline or any of the products covered by this lease is or can be produced.

Form: Non-standard, but similar to at 88 (Producer's Special) (PAID-UP) 63U (Rev. 1993).

b. **Oil and Gas Lease** dated February 4, 2003, recorded in Book 204, pages 904-5, from Valeria G. Thomas, a widow, Lessor, to and in favor of Baird Oil Company, LLC, Lessee, and covering:

THE WEST HALF OF THE NORTHEAST (W $\frac{1}{2}$ NE $\frac{1}{4}$) OF SECTION 3,
TOWNSHIP 8 SOUTH, RANGE 21 WEST OF THE SIXTH P.M.

Terms: Affidavit of Production filed October 11 2007, and recorded in Book 228, pages 779-80, states the primary term of this lease has been extended by virtue of the production of oil.

COMMENT: This recitation of lease terms is not intended to be a complete explanation of the lease form. If you have any questions regarding rights and obligations under the lease, you should review the lease document or contact me for an explanation of any questions you may have.

REQUIREMENT: An Affidavit of Possession should be prepared, executed by the person in actual possession of the land, and placed in your title file.

2. The leasehold interests in and to the oil and gas leases, **but only as to the UNITIZED AREA**, are as follows:

ROYALTY INTEREST

Dale Alexander	.016250 Royalty
Gary L. Alexander	.016250 Royalty
Wendell P. Sayers	.0312500 Royalty
Valeria G. Thomas	.0625000 Royalty

OVERRIDING ROYALTY INTEREST

Kirk T. Rundle and Rebecca L. Rundle as JTWROS as to the Thomas acreage ONLY	.010000 ORRI
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WORKING INTEREST

Black Diamond Oil, Inc.	.875000 subject to the ORRI
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3. **Alexander Land:** Taxes for the years 2007, 2008, 2009 and 2010 are past and delinquent. These delinquent taxes are a first lien upon the Alexander Land and are subject to foreclosure by Graham County, Kansas, at any time.

REQUIREMENT: Either the delinquent taxes on the Alexander Land should be paid in full or a Subordination Agreement should be prepared, signed by the board of county

commissioners for Graham County, Kansas, and filed of record showing the tax liens are subordinated to the leasehold interest under the Alexander Oil and Gas Lease set forth above.

Thomas Land: Taxes for the year 2010 and all prior years are shown paid in full. There are no other liens or encumbrances against the Thomas Land.

4. The following Rights-of-Way appear of record. These rights-of-way are subsequent to your oil and gas lease; but, nonetheless, you should not interfere with its free use and enjoyment:

a. Easement dated June 23, 2010, recorded in Book 247, page 905, to and in favor of **Rural Telephone Service Co., Inc.** for construction, maintenance and operation of such communications systems as the Grantee may from time to time require over and across the above land, together with the right of ingress and egress.

b. Easement dated June 17, 2010, recorded in Book 247, page 906-7, to and in favor of **Rural Telephone Service Co., Inc.** for construction, maintenance and operation of such communications systems as the Grantee may from time to time require over and across the above land, together with the right of ingress and egress.

Drilling operations should be conducted in order not to impinge on any right of ways which may exist but have not been shown in the abstract. Further, you should assure yourself that your oil well location complies with KCC Rules and Requirements which indicate that "wells shall not be drilled less than 330 feet from any lease line." You should also satisfy yourself that no one is in possession claiming title under any other Oil and Gas Leases and that neither oil nor gas is being produced from the property covered by this opinion, and that no exploration or drilling operations currently exist. Case law requires that actual drilling is required to extend the term of an Oil and Gas Lease and that pre-drilling activities are not sufficient to constitute commencement of drilling. Therefore, you should be certain that actual drilling commences prior to the expiration of the term of your Oil and Gas Lease. You should also make sure that you have complied with the requirements of completing the notice of intent to drill to the KCC prior to commencement of your activities.

As stated above, you should carefully review your basic Oil and Gas Lease. Your failure to comply with the terms of the lease could result in forfeiture of your lease.

This opinion is given subject to the rights of parties in possession; unfiled liens pursuant to Kansas Statutes Annotated; acreage differences, encroachments and boundary disputes that would be shown by a survey of the premises; easements, restrictions, and reservations not specifically described and set out in the records; rules and regulations of the Kansas Corporation Commission, the Federal Energy Regulatory Commission, and any other state or federal regulatory body; and other defects or matters affecting title not appearing in the records examined as herein before shown. If you have

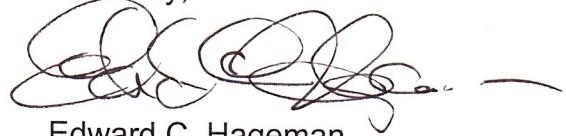
any questions regarding this opinion or need me to provide additional information or documents, feel free to advise me of that fact.

When the title requirements have been satisfied your title is approved for drilling purposes and you may make entry upon the land for exploration and development. Good luck in drilling this prospect.

This opinion is solely for your benefit and may not be used or relied upon by any other person or entity whatsoever. If you have any questions or need my further assistance, please call.

Thank you for your kind attention.

Sincerely,

A handwritten signature in black ink, appearing to read 'Edward C. Hageman', with a horizontal line extending to the right.

Edward C. Hageman

ECH/fh

Graham County

In all except the special area identified below, cement surface pipe through the Dakota formation plus 50 feet into the underlying formation. The following options are open:

- (a) cement surface pipe through the Dakota plus 50 feet into the underlying formation or
- (b) cement surface pipe through all unconsolidated material plus 50 feet below the base of the Dakota to the surface.

If (b) is used and the hole is dry, refer to K.A.R. 82-3-114.

Within those areas of Township 7 South and 8 South of Range 21 West below surface elevation 2000 feet, the following large surface pipe or 8 5/8 inch surface pipe systems may be used. If the large surface pipe is used, surface pipe of at least 13 3/8 inches in diameter shall be cemented through all unconsolidated material plus a minimum of 20 feet into the underlying formation with a minimum of 40 feet being used. Then the options are:

- (a) set intermediate pipe to the Stone Corral (Anhydrite) and cement from the Stone Corral to surface or
- (b) cement the production string from the Anhydrite to surface immediately after it has been set.

If (b) is used and the hole is dry, plug per K.A.R. 82-3-114.

If the 8 5/8 inch surface pipe system is used, it will be set and cemented through all unconsolidated material plus a minimum of 20 feet into the underlying formation. A blowout preventor will be installed on the surface pipe. If serious flow problems occur, the hole will be plugged per K.A.R. 82-3-114. If the hole is completed and production pipe installed, cement the production string from the Stone Corral to surface immediately after it has been set. If the hole is dry, plug immediately per K.A.R. 82-3-114.

If Alternate II is used in the above listed special area, follow the procedure outlined in K.A.R. 82-3-106. The option for 120 days to complete cementing is not available and the operator should cement production casing from the Stone Corral to surface immediately.

Conservation Division
Finney State Office Building
130 S. Market, Rm. 2078
Wichita, KS 67202-3802



phone: 316-337-6200
fax: 316-337-6211
<http://kcc.ks.gov/>

Thomas E. Wright, Chairman
Ward Loyd, Commissioner

Corporation Commission

Sam Brownback, Governor

April 12, 2011

Rodney Brin
Mustang Energy Corporation
P.O. BOX 1121
HAYS, KS 67601-9704

Re: Drilling Pit Application
Alexander-Thomas Unit 1
N/2 Sec.03-08S-21W
Graham County, Kansas

Dear Rodney Brin:

District staff has inspected the above referenced location and has determined that the reserve pit shall be 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 practical after drilling operations have ceased. Keep pits away from draw/drainage.

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 (785) 625-0550 when the fluids have been removed. Please file form CDP-5 (August 2008), Exploration and Production Waste Transfer, through KOLAR within 30 days of fluid removal.

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 (785) 625-0550.