

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

KANSAS CORPORATION COMMISSION OIL & GAS CONSERVATION DIVISION

1159590

Form C-1

March 2010

Form must be Typed

Form must be Signed

All blanks must be Filled

NOTICE OF INTENT TO DRILL

	e (5) days prior to commencing well s Surface Owner Notification Act, MUST be submitted with this form.
Expected Spud Date:	Spot Description:
month day year	Sec Twp S. R E W
	(Q/Q/Q/Q) feet from N / S Line of Section
OPERATOR: License#	feet from E / W Line of Section
Name:	Is SECTION: Regular Irregular?
Address 1:	
Address 2: State: Zip: +	(Note: Locate well on the Section Plat on reverse side)
Contact Person:	County
Phone:	Lease Name: Well #:
CONTRACTOR	Field Name:
CONTRACTOR: License#	is the a related repaired.
Name:	Target Formation(s):
Well Drilled For: Well Class: Type Equipment:	Nearest Lease or unit boundary line (in footage):
Oil Enh Rec Infield Mud Rotary	Ground Surface Elevation:feet MSL
Gas Storage Pool Ext. Air Rotary	Water well within one-quarter mile:
Disposal Wildcat Cable	Public water supply well within one mile:
Seismic ; # of Holes Other	Depth to bottom of fresh water:
Other:	Depth to bottom of usable water:
If OWWO: old well information as follows:	Surface Pipe by Alternate: III
II OWWO. old well information as follows.	Length of Surface Pipe Planned to be set:
Operator:	Length of Conductor Pipe (if any):
Well Name:	
Original Completion Date: Original Total Depth:	
D: (: 1 D : (Water Source for Drilling Operations:
Directional, Deviated or Horizontal wellbore? Yes No	Well Farm Pond Other:
If Yes, true vertical depth:	DWK FeITIII #.
KCC DKT #:	(Note: Apply for Permit with DWR)
	vviii Cores de takeit?
	If Yes, proposed zone:
AF	FIDAVIT
The undersigned hereby affirms that the drilling, completion and eventual p	lugging of this well will comply with K.S.A. 55 et. seq.
It is agreed that the following minimum requirements will be met:	
Notify the appropriate district office <i>prior</i> to spudding of well:	
2. A copy of the approved notice of intent to drill shall be posted on each	h drilling rig;
3. The minimum amount of surface pipe as specified below shall be se	
through all unconsolidated materials plus a minimum of 20 feet into the	
, , ,	strict office on plug length and placement is necessary <i>prior to plugging</i> ;
 The appropriate district office will be notified before well is either plug If an ALTERNATE IL COMPLETION, production pipe shall be cement 	ged or production casing is certificatin, ed from below any usable water to surface within 120 DAYS of spud date.
	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 b	e plugged. In all cases, NOTIFY district office prior to any cementing.
Submitted Electronically	
	Remember to:
For KCC Use ONLY	- File Certification of Compliance with the Kansas Surface Owner Notification
API # 15	Act (KSONA-1) with Intent to Drill;
Conductor pipe requiredfeet	- File Drill Pit Application (form CDP-1) with Intent to Drill;
	- File Completion Form ACO-1 within 120 days of spud date;
Minimum surface pipe requiredfeet per ALTIII	- File acreage attribution plat according to field proration orders;
Approved by:	Notify appropriate district office 48 hours prior to workover or re-entry; Submit all prior separat (CR 4) after all prior to workover or re-entry;
This authorization expires:	 Submit plugging report (CP-4) after plugging is completed (within 60 days); Obtain written approval before disposing or injecting salt water.
(This authorization void if drilling not started within 12 months of approval date.)	If well will not be drilled or permit has expired (See: authorized expiration date)

Mail to: KCC - Conservation Division, 130 S. Market - Room 2078, Wichita, Kansas 67202 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:	

Side Two



For KCC Use ONLY	
API # 15	

IN ALL CASES PLOT THE INTENDED WELL ON THE PLAT BELOW

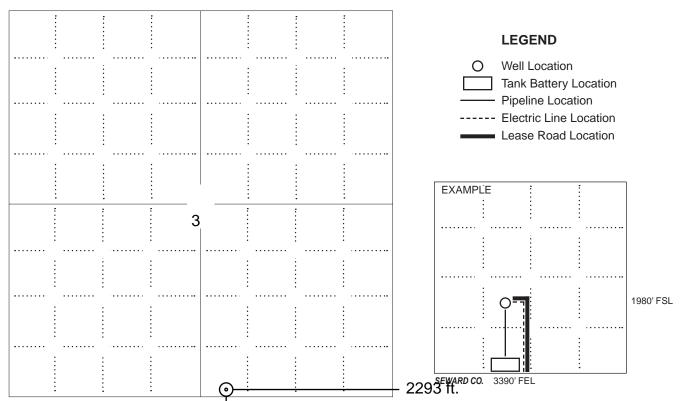
In all cases, please fully complete this side of the form. Include items 1 through 5 at the bottom of this page.

Operator:	Location of Well: County:	
Lease:	feet from N / S Line of Section	
Well Number:	feet from E / W Line of Section	
Field:	Sec Twp S. R	
Number of Acres attributable to well:	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.



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

102 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).
- 5. The predicted locations of lease roads, tank batteries, pipelines, and electrical lines.



Kansas Corporation Commission Oil & Gas Conservation Division

1159590 Form CDP-1
May 2010
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: Emergency Pit Burn Pit Settling Pit Drilling Pit Workover Pit Haul-Off Pit (If WP Supply API No. or Year Drilled)	Pit is: Proposed If Existing, date continued in the pit capacity:	Existing nstructed: (bbls)	SecTwp R East WestFeet from North / South Line of SectionFeet from East / West Line of Section County
Is the pit located in a Sensitive Ground Water A	rea? Yes	No	Chloride concentration: mg/l (For Emergency Pits and Settling Pits only)
Is the bottom below ground level?	Artificial Liner?	No	How is the pit lined if a plastic liner is not used?
Pit dimensions (all but working pits):	Length (fee	et)	Width (feet) N/A: Steel Pits
If the pit is lined give a brief description of the li material, thickness and installation procedure.	om ground level to dee	Describe proce	dures for periodic maintenance and determining any special monitoring.
Distance to nearest water well within one-mile of pit:		Depth to shallo Source of infor	west fresh water feet. mation:
feet Depth of water well	feet	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? Yes No Submitted Electronically		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.	
KCC OFFICE USE ONLY			
Date Received: Permit Num	ber:		Liner Steel Pit RFAC RFAS t Date: Lease Inspection: Yes No



1159590

Form KSONA-1
July 2010
Form Must Be Typed
Form must be Signed
All blanks must be Filled

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 (CB-1)	Cathodic Protection Borehole Intent) T-1 (Transfer) CP-1 (Plugging Application)
OPERATOR: License #	Well Location:
Name:	SecTwpS. R East
Address 1:	County:
Address 2:	Lease Name: Well #:
City: State: Zip:+	If filing a Form T-1 for multiple wells on a lease, enter the legal description of
Contact Person:	the lease below:
Phone: () Fax: ()	
Email Address:	
Surface Owner Information:	
Name: When filing a Form T-1 involving multiple surface owners, atta	
Address 1:	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
Address 2:	county, and in the real estate property tax records of the county treasurer.
City:	
the KCC with a plat showing the predicted locations of lease roads, tank	dic Protection Borehole Intent), you must supply the surface owners and k batteries, pipelines, and electrical lines. The locations shown on the plat in the Form C-1 plat, Form CB-1 plat, or a separate plat may be submitted.
☐ I certify that, pursuant to the Kansas Surface Owner Notice A owner(s) of the land upon which the subject well is or will be to CP-1 that I am filing in connection with this form; 2) if the form to form; and 3) my operator name, address, phone number, fax, at ☐ I have not provided this information to the surface owner(s). I at KCC will be required to send this information to the surface owner(s).	cknowledge that, because I have not provided this information, the vner(s). To mitigate the additional cost of the KCC performing this
task, I acknowledge that I am being charged a \$30.00 handling If choosing the second option, submit payment of the \$30.00 handling form and the associated Form C-1, Form CB-1, Form T-1, or Form CP-	fee with this form. If the fee is not received with this form, the KSONA-1
Submitted Electronically	



(Prod. Pooling)(Kansas, Oklahoma)(640 Shut-In)(Paid-Up)

PHOTOCOPIED

STATE OF KANSAS, CLARK COUNTY } This instrument was filed for Record on 12/11/2012 at 3:37 PM and duly recorded Book 143 Page 187 Fees \$16.00 Brenda Ketron, Register Of Deeds

OIL AND GAS LEASE (Paid-up)

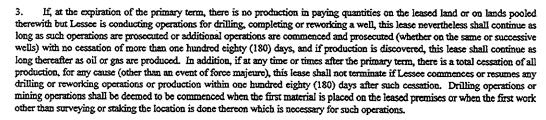
AGREEMENT, made and entered into this 4th day of December 2012, by and between, David Bouziden, Trustee of the David Bouziden Trust of 2011, Steven T. Bouziden a/k/a Steve Bouziden, a single person, Christopher Bouziden, a/k/a Albert Christopher Bouziden and Donna Bouziden, husband and wife, PO Box 663, Ashland, KS 67831-0663, party of the first part, hereinafter called Lessor (whether one or more), and Spiro Resouces LTD, PO Box 6387, San Antonio, TX 78209, party of the second part, hereinafter called Lessee.

WITNESSETH, that the said Lessor, for and in consideration of Ten Dollars, cash in hand paid, and other good and valuable consideration 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 exclusively 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 pipelines, and building tanks, power 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 Clark, State of Kansas, described as follows, to-wit:

See Exhibit "A" attached hereto and made a part of hereof.. Containing 960.00 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 so long thereafter as oil or gas, or either of them, is produced from said land or lands pooled therewith
- In consideration of the premises the said Lessee covenants and agrees:
- To deliver to the credit of Lessor free of cost, in the pipeline to which it may connect its wells, a three-sixteenths (3/16ths) part of all oil (including but not limited to condensate and distillate) produced and saved from the leased premises.

 B. The Lessee shall pay to the Lessor as royalty, three-sixteenths (3/16ths) of the proceeds received by the Lessee from the
- sale of gas, gas condensate, gas distillate, casinghead gas, gas used for the manufacture of gasoline or any other product, and for all other gases, including their constituent parts, produced from the land herein leased. 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 gil or operations on said leased premises sufficient to keep this lease in force, Lessee shall pay or tender a royalty of care Dellar (\$7.00) per year per net royalty acre retained hereunder, such payment or tender to be made, on or before the later of ninety (90) days following the date of shut in or the anniversary date of this lease during the period such well is shut in, to the Lessor. When such payment or tender is made it will be considered that gas is being produced within the meaning of the entire



- 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 160 acres, or for the production primarily of gas with or without distillate more than 640 acres; provided that if any governmental regulation shall permit or 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 permitted or 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 unless the pooling or unitization results from governmental order or rule, in which case no such written designation shall be required. 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.
- 5. 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.
- If the leased premises are now or shall hereafter be owned in severalty or in separate tracts, the premises may nonetheless be developed and operated as one lease, and all royalties accruing hereunder shall be divided among and paid to such separate owners



in the portion that the acreage owned by each separate owner bears to the entire leased acreage. There shall be no obligation on the part of the lessee to offset wells on separate tracts into which the land covered by this lease may now or hereafter be divided by sale, devisee, descent or otherwise, or to furnish separate measuring or receiving tanks.

- Lessee shall have the right to use, free of cost, gas, oil, and water produced on said land for its operations thereon, except water from wells of Lessor.
- 8. 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.
- 9. 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 after the Lessee 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.
- 10. If at any time within the primary term of this lease or any continuation thereof, Lessor receives any bona fide offer, acceptable to Lessor, to grant an additional lease (top lease) covering all or part of the aforedescribed lands, Lessee shall have the continuing option by meeting any such offer to acquire such top lease. Any offer must be in writing and must set forth the proposed Lessee's name, bonus consideration and royalty consideration to be paid for such lease, and include a copy of the lease form to be utilized reflecting all pertinent and relevant terms and conditions of the top lease. Lessee shall have fifteen (15) days after receipt from Lessor of a complete copy of any such offer to advise Lessor in writing of its election to enter into an oil and gas lease with Lessor on equivalent terms and conditions. If Lessee fails to notify Lessor within the aforesaid fifteen (15) day period of its election to meet any such bona fide offer, Lessor shall have the right to accept said offer. Any top lease granted by Lessor in this lease.
- 11. 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, or operation of force majeure.
- 12. This lease shall be effective as to each Lessor on 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.
- 13. 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.
- 14. Lessor hereby warrants and agrees to defend the title to the lands herein described and to indemnify Lessee of all adverse claims thereto, and all expenses incurred by Lessee in defending such claims, including reasonable attorney fees, 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.

15. The Lessee's failure to comply with any covenant or obligation unless and until lessor has provided lessee notice of such default and give		
IN TESTIMONY WHEREOF, they signed this the 7	day of December, 2012	
David Bouziden, Trustee	Steven T. Bourden Steven T. Bouriden a/k/a Steve Bouriden	
Alletthistigher Bayes Christopher Bouziden	Doma Bouriday Brounder	
ACKNOWLEDGEMENT		
COUNTY OF Clark) SS.		
The foregoing instrument was acknowledged before me to by David Bouziden, Trustee of the David Bouziden Trust of 2011 person, Christopher Bouziden, a/k/a Albert Christopher Bouziden	, Steven T. Bouziden a/k/a Steve Bouziden, a single	
My Commission expires: み/ね/は	Deborah Tom	
Electrical Filocol - 11 - 17 Fields - Staty of Kanadas	Notary Public	

EXHIBIT "A"

Attached to and made a part of that certain Oil and Gas Lease dated December 4th, 2012, by and between David Bouziden, Trustee of the David Bouziden Trust of 2011, Steven T. Bouziden a/k/a Steve Bouziden, a single person, Christopher Bouziden a/k/a Albert Christopher Bouziden and Donna Bouziden, husband and wife, as Lessor to Spiro Resouces LTD, as Lessee, covering 960.00 acres more or less. All in Township 32 South, Range 23 West, Clark County, Kansas.

1. It is understood and agreed between Lessors and the Lessee, that this leases shall constitute a separate lease for each tract described in Exhibit "A".

TRACT#

- 1.) Section 3: The Southwest Quarter (SW/4)
- 2.) Section 3: The Southeast Quarter (SE/4)
- 3.) Section 10: The Northwest Quarter (NW/4)
- 4.) Section 10: The Northeast Quarter (NE/4)
- 5.) Section 10: The Southwest Quarter (SW/4)
- 6.) Section 10: The Southeast Quarter (SE/4)
- 2. In addition to all other consideration herein stated, Lessee, or its assigns, shall pay to Lessor, before any drilling operation commenced, the sum of Andrews dollars)

 5,000 \$4,000 as consideration for each such well site located on the leased premises. Lessee shall pay an additional damage payment of (twenty dollars) \$20.00 per rod for any lead lines. Lessor and Lessee agree that these damage payments are intended as full compensation for any potential damages to said property's surface, including the cost of reseeding manure, and any other operation necessary to restore the property's surface.
 - 3. Lessee may not use fresh water obtained from the leased premises without the express written consent of the surface owner. Said water to be purchased by Lessee at a price to be negotiated between the Lessee and the surface owner. No well shall be used as salt water disposal well without the written consent of the surface owner.
 - 4. Lessee is granted an option to renew this Lease under the same terms and provisions for an additional (two) 2 years from the end of the Primary Term hereof. If at the end of the Primary Term, this lease is not otherwise continued in force under the provisions hereof, this lease shall expire, unless Lesssee exercises this option by paying, prior to the expiration of this lease, a sum, to the Lessor, equal to the initial net mineral acre bonus paid to Lessor for the Primary Term.

SIGNED FOR IDENTIFICATION:

David Bouziden, Trustee Steven T. Bouziden

Steven T. Bouziden a/k/a Steve Bouziden

Aller Churtophin Bourget Sonna Bouzigen Bouzigen Albert Christopher Bouziden

DECLARATION OF POOLING AND CONSOLIDATION FOR OIL

WHEREAS, the undersigned is the owner of the following described Oil and Gas Leases covering lands located in CLARK COUNTY, KANSAS, described as follows:

Lessor

David Bouziden, Trustee of the David Bouziden Trust of 2011,

Stephen T. Bouziden a/k/a Steve Bouziden, a single person, Christopher Bouziden, a/k/a Albert Christopher Bouziden and

Donna Bouziden, husband and wife

Lessee:

Spiro Resources, Ltd.

Date:

December 4, 2012

Recording:

Book 143 at Page 187 Tract #1:

Description:

SW/4 Section 3-32S-23W SE/4 Section 3-32S-23W

Tract #2:

Tract #3: Tract #4: NW/4 Section 10-32S-23W

NE/4 Section 10-32S-23W

Tract #5:

SW/4 Section 10-32S-23W

Tract #6:

SE/4 Section 10-32S-23W

(lease constitutes a separate lease for each tract)

WHEREAS the above described Oil and Gas Lease(s) (as determined by Tract) authorizes the lessee or his assigns to pool and consolidate the oil rights thereunder and each of the described Oil and Gas Leases is in full force and effect; and

WHEREAS, pursuant to the authority given in the above described Oil and Gas Lease(s), the undersigned desires to pool and consolidate the above described Oil and Gas Leases into a (160) one hundred sixty-acre oil unit in order to properly develop and operate the leased premises for the drilling and continued operations of a well to be drilled on the pooled lands to be known as the #1 BOUZIDEN, drilled at a location 102' FSL and 2293' FEL Section 3-32S-23W. Said (160) one hundred sixty-acre oil unit shall consist of the following:

	Mineral Acres	Pooled Area
	<u>Committed</u>	<u>Interest</u>
Lease/Tract No. 1: SE/4SW/4 Section 3-32S-23W	40	25%
Lease/Tract No. 2: SW/4SE/4 Section 3-32S-23W	40	25%
Lease/Tract No. 3: NE/4NW/4 Section 10-32S-23W	40	25%
Lease/Tract No. 4: NW/4NE/4 Section 10-32S-23W	40	25%

NOW THEREFORE, pursuant to the authority granted in the above described Oil and Gas Lease(s), the undersigned, as the owner of the above described Oil and Gas Lease(s), executes this instrument as their formal declaration that the above described Oil and Gas Lease(s) insofar as they cover the SE/4SW/4 and SW/4SE/4 of Section 3-32S-23W and the NE/4NW/4 and NW/4NE/4 of Section 10-32S-23W Clark County, Kansas, are hereby pooled and consolidated into one operating unit insofar as they cover the oil and casinghead gas rights.

EXECUTED this 25th day of September, 2013

Spiro Resources, Ltd.

By: Spiro GP, L.L.C., it's General Partner

Williams, III, Manager

STATE OF TEXAS

§

COUNTY OF BEXAR

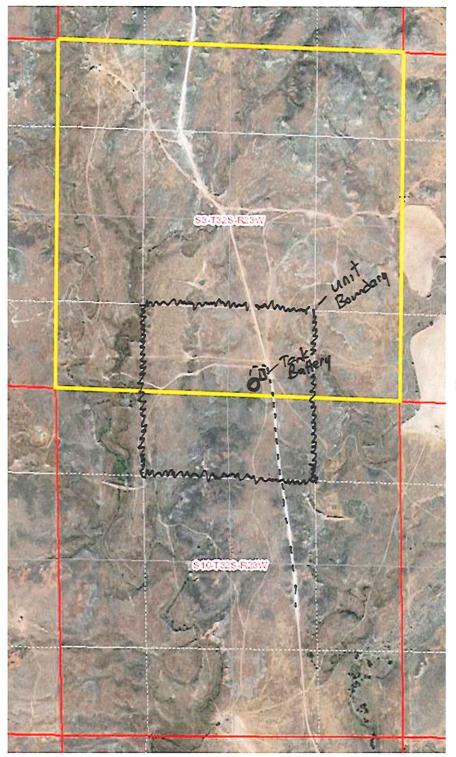
§

This instrument was acknowledged before me on the 25th of September, 2013, by JACK T. WILLIAMS, III, Manager of Spiro GP, LLC, as General Partner of Spiro Resources, Ltd.

My Commission Expires: PIRES - STREET

2-7-16

Notary Public



Existing County Road 16 West on existing road South into location

WHITE EXPLORATION, INC. BOUZIDEN #1 102' FSL and 2293' FEL Section 3-32S-23W Clark County, Kansas Kansas Surface Owner Notification Act NON-BINDING ESTIMATE of location of well, tank battery, road, etc 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/

Sam Brownback, Governor

Mark Sievers, Chairman Thomas E. Wright, Commissioner Shari Feist Albrecht, Commissioner

September 27, 2013

Kenneth S. White White Exploration, Inc. 1635 N. WATERFRONT PKWY SUITE 100 WICHITA, KS 67206-3966

Re: Drilling Pit Application Bouziden 1 SE/4 Sec.03-32S-23W Clark County, Kansas

Dear Kenneth S. White:

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 <u>without slots</u>, 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. The fluids should be removed again within 72 hours after drilling operations have ceased. KEEP PITS away from draw/drainage. KEEP PITS on North East side of stake.

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 (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 (620) 225-8888.