

For KCC Use: 8-24-04
 Effective Date: _____
 District #: 4
 SGA? Yes No

KANSAS CORPORATION COMMISSION
 OIL & GAS CONSERVATION DIVISION
NOTICE OF INTENT TO DRILL

Form C-1
 December 2002
Form must be Typed
Form must be Signed
All blanks must be Filled

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

Expected Spud Date September 7, 2004
 month day year

Spot AP 120'E of
S/2 SW SE Sec. 8 Twp. 8 S. R. 22
 East
 West

OPERATOR: License# 3293
 Name: Russell Oil, Inc.
 Address: PO Box 1469
 City/State/Zip: Plainfield, IL 60544
 Contact Person: LeRoy Holt II
 Phone: 815-609-7000

330 feet from N / S Line of Section
2100 feet from E / W Line of Section
 Is SECTION Regular Irregular?

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CONTRACTOR: License# 5184
 Name: Shields Oil Producers, Inc.

(Note: Locate well on the Section Plat on reverse side)
 County: Graham
 Lease Name: Kay McDonald Well #: 1-8
 Field Name: Schnebly (revival)

Well Drilled For: Well Class: Type Equipment:
 Oil Enh Rec Infield Mud Rotary
 Gas Storage Pool Ext. Air Rotary
 OWWO Disposal Wildcat Cable
 Seismic; # of Holes Other
 Other

Is this a Prorated / Spaced Field? Yes No
 Target Information(s): Lansing Kansas City
 Nearest Lease or unit boundary: 330'
 Ground Surface Elevation: ESTIMATED 2089' 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: 150'
 Depth to bottom of usable water: 900'

If OWWO: old well information as follows:
 Operator: _____
 Well Name: _____
 Original Completion Date: _____ Original Total Depth: _____

Surface Pipe by Alternate: 1 2
 Length of Surface Pipe Planned to be set: 250'
 Length of Conductor Pipe required: none
 Projected Total Depth: 3700'
 Formation at Total Depth: Marmaton

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

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.

I hereby certify that the statements made herein are true and to the best of my knowledge and belief.

Date: 8-16-2004 Signature of Operator or Agent: [Signature] Title: President

For KCC Use ONLY
 API # 15 - 065-22999.0000
 Conductor pipe required NONE feet
 Minimum surface pipe required 200 feet per Alt. **⊕ 2**
 Approved by: RJP 8-19-04
 This authorization expires: 2-19-05
 (This authorization void if drilling not started within 6 months of effective 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;
 - 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
 Signature of Operator or Agent: _____
 Date: _____

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

0
 0
 22w

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: Russell Oil, Inc.
 Lease: Kay McDonald
 Well Number: 1-8
 Field: Schnebly (revival)

Number of Acres attributable to well: _____
 QTR / QTR / QTR of acreage: _____ - _____ - _____

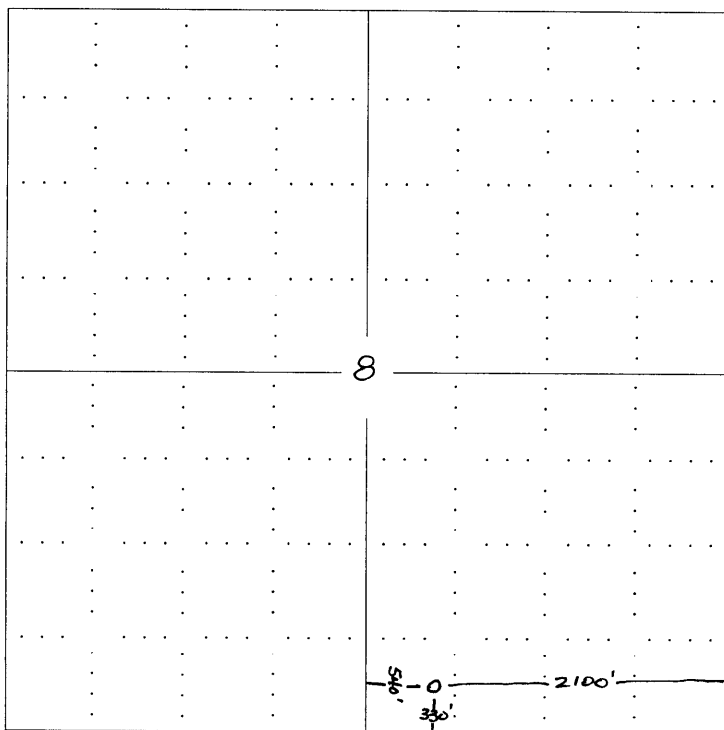
Location of Well: County: Graham
330 feet from N / S Line of Section
2100 feet from E / W Line of Section
 Sec. 8 Twp. 8 S. R. 22 East West

Is Section: Regular or Irregular

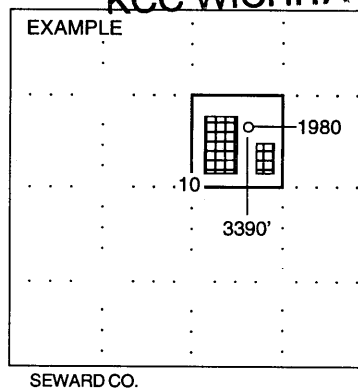
If Section is Irregular, locate well from nearest corner boundary.
 Section corner used: NE NW SE SW

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.)*



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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 section's south / north and east / west.
3. The distance to the nearest lease or unit boundary line.
4. If proposed location is located within a prorated or spaced field a certificate of acreage attribution plat must be attached: (CO-7 for oil wells; CG-8 for gas wells).

KANSAS

CORPORATION COMMISSION

KATHLEEN SEBELIUS, GOVERNOR
BRIAN J. MOLINE, CHAIR
ROBERT E. KREHBIEL, COMMISSIONER
MICHAEL C. MOFFET, COMMISSIONER

August 19, 2004

Mr. LeRoy Holt II
Russell Oil, Inc.
PO Box 1469
Plainfield, IL 60544

Re: Drilling Pit Application
Kay McDonald Lease Well No. 1-8
SE/4 Sec. 08-08S-22W
Graham County, Kansas

Dear Mr. Holt:

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. **Please call the district office once the pits have been dug.** District will determine at that time if additional measures concerning the pit will need to be taken. Unless notified otherwise, 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.

If production casing is set all completion fluids shall be removed on a daily basis.

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. Also, please file the enclosed CDP-5 form, Surface Pond Waste Transfer, 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 undersigned at the above address.

Sincerely,



Kathleen Haynes

Environmental Protection and Remediation Department

cc: H Deines