

For KCC Use: 8-2-03
 Effective Date: 8-2-03
 District # 4
 SGA? Yes No

KANSAS CORPORATION COMMISSION
 OIL & GAS CONSERVATION DIVISION

NOTICE OF INTENT TO DRILL

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

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Form C-1

September 1999

Form must be Typed

Form must be Signed

All blanks must be Filled

Expected Spud Date August 1 2003
month day year

Spot 250' North of East
C-N/2 - N/2 NE Sec. 30 Twp. 6 S. R. 19 West
80' feet from (circle one) Line of Section
1320 feet from (circle one) Line of Section
 Is SECTION Regular Irregular?

OPERATOR: License# 7076
 Name: BLACK DIAMOND OIL, INC.
 Address: P.O. BOX 641
 City/State/Zip: HAYS, KS 67601
 Contact Person: KENNETH VEHIGE
 Phone: 785-625-5891

(Note: Locate well on the Section Plat on reverse side)
 County: ROOKS

Lease Name: DRYDEN/CARPENTER Well #: 1
 Field Name: WILDCAT

CONTRACTOR: License# 31548
 Name: DISCOVERY DRILLING

Is this a Prorated / Spaced Field? Yes No

Target Information(s): GRANITE

Nearest Lease or unit boundary: 330' - (Unit)

Ground Surface Elevation: 2135' 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: 180'

Depth to bottom of usable water: 1125'

Surface Pipe by Alternate: 1 X 2

Length of Surface Pipe Planned to be set: 200' Min

Length of Conductor Pipe required: None

Projected Total Depth: 3650'

Producing Formation Target: Lansing/KC & Reagan Sand

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: _____

| Well Drilled For: | Well Class: | Type Equipment: |
|--|-----------------------------------|---|
| <input checked="" 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"/> OWWO | <input type="checkbox"/> Disposal | <input checked="" type="checkbox"/> Wildcat |
| <input type="checkbox"/> Seismic; # of Holes | <input type="checkbox"/> Other | <input type="checkbox"/> Cable |
| <input type="checkbox"/> Other | | |

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 #: _____

*** Unitization - Agreement ***

AFFIDAVIT

The undersigned hereby affirms that the drilling, completion and eventual plugging of this well will comply with K.S.A. 55-101, 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. **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: 7-22-2003 Signature of Operator or Agent: [Signature] Title: Owner

For KCC Use ONLY
 API # 15 - 163-23381-00.00
 Conductor pipe required None feet
 Minimum surface pipe required 200 feet per Alt. **(2)**
 Approved by: RJP 7-28-03
 This authorization expires: 1-28-04
 (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.

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

30
6
19m

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: Black Diamond Oil, Inc.
Lease: Dryden / Carpenter
Well Number: #1
Field: Wildcat

Number of Acres attributable to well: 10
QTR / QTR / QTR of acreage: C-1/2 - C-1/2 - NE

Location of Well: County: Reeds
80' feet from S (N) (circle one) Line of Section
1320' feet from (E) W. (circle one) Line of Section
Sec. 30 Twp. 2 S. R. 19 East West

Is Section Regular or Irregular

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

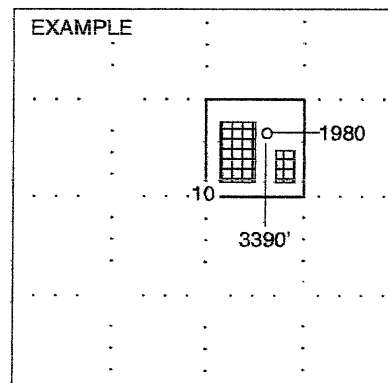
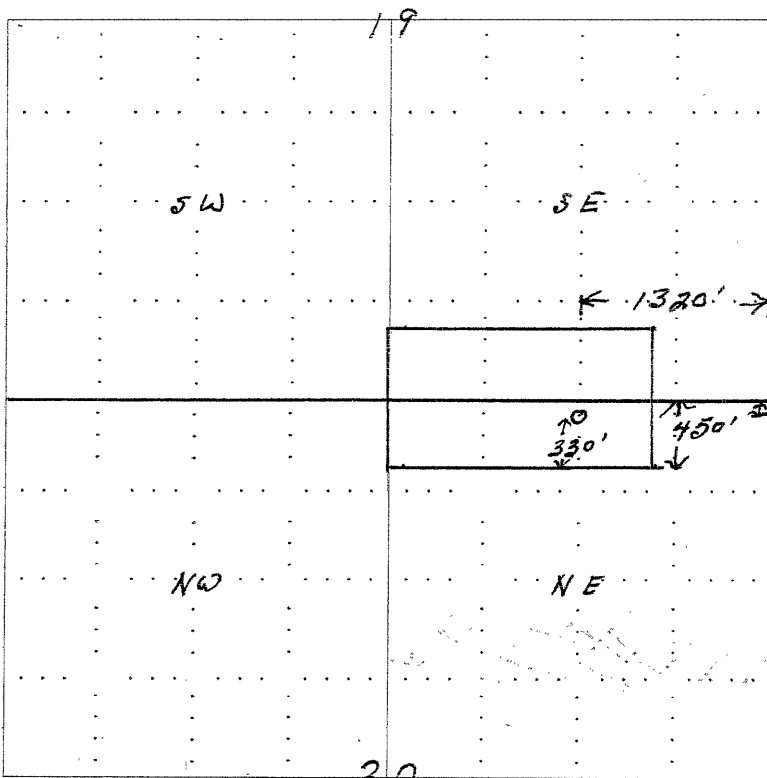
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PLAT

(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 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).

15-163-23381-00-00

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**DECLARATION OF UNITIZATION
(CARPENTER - DRYDEN UNIT)**

JUL 28 2003

KCC WICHITA

THIS DECLARATION OF UNITIZATION AGREEMENT is made this 20th day of July, 2003, by Downing Nelson Oil Company, Inc. (hereinafter Carpenter Lessee) and Black Diamond Oil, Inc. (hereinafter Dryden Lessee), WITNESSETH:

WHEREAS, it is in the public interest to promote conservation of natural resources; to increase the ultimate recovery of oil, gas and associated minerals from the Unitized Area covered by this agreement; and to protect the parties' respective rights, therefore the parties hereto deem it necessary and desirable to enter into this agreement.

AND WHEREAS, the Lessors of the Oil and Gas Leases shown on Exhibit A have granted to their respective Lessees the right, power and authority to form units for the production of oil, gas and other minerals under the terms of the said Oil and Gas Leases.

AND WHEREAS, the parties hereto desire that the portion of the oil and gas leases shown on Exhibit A, attached hereto and incorporated herein by reference, be consolidated, pooled, and unitized into one operating unit according to, and in compliance with, the rules and regulations of the Kansas Corporation Commission.

NOW, THEREFORE, in consideration of these premises and of the mutual benefits hereinafter contained, the Carpenter Lessee and the Dryden Lessee do hereby pool and unitize the oil and gas leases set forth in Exhibit A in accordance with the following terms and conditions:

**ARTICLE I
(Creation and Effect of Unit)**

Area. The Unitized Area shall consist of the following land which will be referred to as the Unitized Area, to-wit:

A TRACT CONSISTING OF THE SOUTH 450 FEET OF THE WEST 1,890 FEET OF THE SOUTHEAST QUARTER (S 450' of the W 1,890' SE $\frac{1}{4}$) OF SECTION 19, and THE NORTH 450 FEET OF THE WEST 1,890 FEET OF THE NORTHEAST QUARTER (N 450' of the W 1,890' NE $\frac{1}{4}$) OF SECTION 30, ALL IN TOWNSHIP 6 SOUTH, RANGE 19 WEST OF THE SIXTH P.M., Rooks County, Kansas.

Oil and Gas Rights Pooled. The Parties hereby declare that all the oil, gas and other minerals in, under or produced from the Unitized Area, as well as that portion of the oil and gas leases set forth in Exhibit A, are pooled and unitized for all purposes. The Unitized Area shall be developed and operated as one leased tract regardless of how the same or the minerals thereunder may be divided in ownership, just as though such Unitized Area had originally been covered by a

single oil and gas lease. The oil, gas and other minerals in, under or produced from said Unitized Area are pooled and unitized and shall be treated as an entirety and the royalties thereon shall be paid ratably to the owners of each particular tract in such Unitized Area as their interest in each such particular tract may appear and according to the applicable royalty provisions and other terms of the oil and gas lease(s) covering that particular tract.

Production Attributed. Any oil or gas well producing under the terms of this agreement, or the oil and gas leases subject to this agreement, shall be deemed to be drilled under the terms of and located on the lands covered by each of said oil and gas leases. Any and all operations for the drilling, reworking of or production of all oil or gas from any such well or wells located anywhere on the Unitized Area shall operate to keep in force the entire oil and gas leasehold estate under each of said leases, just as though such well or wells were located on the particular land covered by each particular lease. The drilling of or the production from any well located upon the Unitized Area shall constitute full and complete development of each of the oil and gas leases hereby unitized.

Continuation of Leases and Term Royalties. Operations, including drilling operations, conducted with respect to the Unitized Area, or production from any part thereof, except for the purpose of determining payments to Royalty Owners, shall be considered as operations upon or production from each tract, and such operations or production shall continue in effect each lease or term royalty interest as to all lands covered thereby just as if such operations had been conducted and a well had been drilled on and was producing from each tract.

Titles Unaffected by Pooling. Nothing herein shall be construed to result in the transfer of title to the oil, gas or mineral rights by any party hereto to any other party. The intention is to provide for the cooperative development and operation of the tracts.

ARTICLE II (Tract Participation)

Tract Participation. The participation of the Carpenter Lease and of the Dryden Lease in and to the total production from the Unitized Area will be as set forth on Exhibit A.

Allocation to Leases. All oil, gas and other minerals produced and saved from the Unitized Area shall be allocated in accordance with the respective Tract Participation set forth on Exhibit A.

Distribution Within Leases. The oil and gas allocated to each lease shall be distributed among, or accounted for, to the parties entitled to share in the production from such lease 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 lease, or in the proceeds thereof, had this agreement not been entered into, and with the same legal effect. If any oil, gas or other mineral rights in a lease shall hereafter become divided and owned in severalty, the owners of the divisions shall share in the oil, gas and other mineral rights allocated to the lease, or in the proceeds thereof, in proportion to their

respective ownership interest in and to that lease or leases.

ARTICLE III (Change of Title)

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 covered hereby.

Notice of Transfer. Any conveyance of all or part of any interest owned by any party hereto with respect to any lease shall be made expressly subject to this agreement. No change of title shall be binding upon any party hereto other than the parties to the transfer, until the first day of the calendar month next succeeding the date of receipt by the parties of a certified copy of the recorded instrument evidencing such change in ownership. No change of title shall increase the burden on the parties under the terms of this agreement.

ARTICLE IV (Relationship of Parties)

No Partnership. The duties, obligations, and liabilities of the parties hereto are intended to be several and not joint or collective. This agreement is not intended to create, and shall not be construed to create, an association or trust, or to impose a partnership duty, obligation, or liability with regard to any one or more of the parties hereto. Each party hereto shall be individually responsible for its own obligations as herein provided.

ARTICLE V (Laws and Regulations)

Laws and Regulations. This agreement shall be subject to the conservation laws of the State of Kansas; to the valid rules, regulations, and orders of the Kansas Corporation Commission; and to all other applicable federal, state, and municipal laws, rules, regulations, and orders.

Force Majeure. All obligations imposed by this agreement on each party, except for the payment of money, shall be suspended while compliance is prevented, in whole or in part, by a strike, fire, war, civil disturbance, act of God; by federal, state, or municipal laws; by a rule, regulation, or order of a governmental agency; by inability to secure materials; or by any other cause or causes beyond reasonable control of the party. No party shall be required against its will to adjust or settle any labor disputes. Neither this agreement nor any lease or other instrument subject hereto shall be terminated by reason of suspension of operations due to any one or more of the causes set

forth in this Article.

**ARTICLE VI
(Miscellaneous)**

Effective Date. The effective date of this agreement is June 17, 2003 at 7:00 A.M.

Term. The term of this agreement shall extend for as long as oil, gas, or other minerals are being produced from the Unitized Area and as long thereafter as operations are being conducted without a cessation of more than one hundred eighty (180) consecutive days, unless sooner terminated by Lessee in the manner herein provided.

Termination by Lessee. This agreement may be terminated by the mutual consent of the parties whenever such it determines that operations are no longer profitable or feasible.

Effect of Termination. Upon termination of this agreement, the further development and operation of the unit shall be abandoned, operations shall cease, and thereafter the parties shall be governed by the provisions of the leases and other instruments affecting the separate leases.

Original, Counterpart, or Other Instrument. A person may become a party to this agreement by signing the original of this instrument, a counterpart thereof, or other instrument agreeing to be bound by the provisions hereof. The signing of any such instrument shall have the same effect as if all the parties had signed the same instrument.


IN WITNESS WHEREOF, the parties have executed this Declaration of Unitization as of the date first above written.

DOWNING NELSON OIL COMPANY, INC.

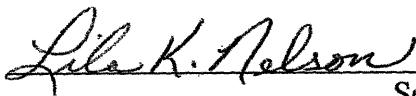
BLACK DIAMOND OIL, INC.




Ron Nelson, President



Kenneth Vehige, President



Secretary



Dena A. Vehige, Secretary

ACKNOWLEDGMENT

STATE OF KANSAS, COUNTY OF ELLIS, SS:

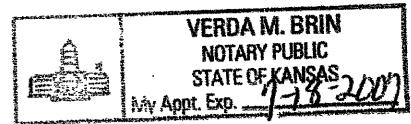
SUBSCRIBED AND SWORN to before me this 23rd day of July, 2003, by Kenneth Vehige, President of Black Diamond Oil, Inc., who is personally known to me to be the same person and president of said corporation, who executed the above and foregoing instrument and who duly acknowledged the execution of the same as his free and voluntary act and deed for the uses and purposes therein set forth on behalf of the corporation.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my seal the day and year last above written.

My commission expires: 7-18-2007

Verda M. Brin
Notary Public

ACKNOWLEDGMENT



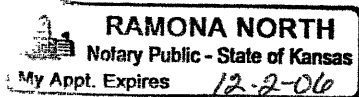
STATE OF KANSAS, COUNTY OF ELLIS, SS:

SUBSCRIBED AND SWORN to before me this 16th day of July, 2003, by Ron Nelson, President of Downing Nelson Oil Company, Inc., who is personally known to me to be the same person and president of said corporation, who executed the above and foregoing instrument and who duly acknowledged the execution of the same as his free and voluntary act and deed for the uses and purposes therein set forth on behalf of the corporation.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my seal the day and year last above written.

My commission expires: Dec. 2, 2006

Ramona North
Notary Public Ramona North



15-163-23381-00-00

EXHIBIT A

CARPENTER - DRYDEN UNIT AREA

A TRACT CONSISTING OF THE SOUTH 450 FEET OF THE WEST 1,890 FEET OF THE SOUTHEAST QUARTER (S 450' of the W 1,890' SE¼) OF SECTION 19, and THE NORTH 450 FEET OF THE WEST 1,890 FEET OF THE NORTHEAST QUARTER (N 450' of the W 1,890' NE¼) OF SECTION 30, ALL IN TOWNSHIP 6 SOUTH, RANGE 19 WEST OF THE SIXTH P.M., Rooks County, Kansas.

OIL AND GAS LEASES POOLED AND UNITIZED

1. **CARPENTER LEASE:** Oil and gas lease dated May 24, 2001, and recorded in Book 313, page 511-2, **ONLY IN SO FAR AS** said lease covers:

THE SOUTH 450 FEET OF THE WEST 1,890 FEET OF THE SOUTHEAST QUARTER (S 450' of the W 1,890' SE¼) OF SECTION 19, TOWNSHIP 6 SOUTH, RANGE 19 WEST OF THE SIXTH P.M. (Hereinafter Carpenter Lease)

2. **DRYDEN LEASE:** Oil and gas lease dated October 14, 2000, and recorded in Book 308, page 718-9, **ONLY IN SO FAR AS** said lease covers:

THE NORTH 450 FEET OF THE WEST 1,890 FEET OF THE NORTHEAST QUARTER (N 450' of the W 1,890' NE¼) OF SECTION 30, TOWNSHIP 6 SOUTH, RANGE 19 WEST OF THE SIXTH P.M. (Hereinafter Dryden Lease)

TRACT PARTICIPATION

| | |
|-----------------|--|
| Carpenter Lease | 50% of the Unit Area which equates to a 0.0625 Royalty Interest. |
| Dryden Lease | 50% of the Unit Area which equates to a 0.0625 Royalty Interest |