

For KCC Use: 10-12-05
 Effective Date: _____
 District # 1
 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 10/30/2005
 month day year

OPERATOR: License# 31980
 Name: Lotus Operating Company, LLC
 Address: 100 S. Main, Ste 420
 City/State/Zip: Wichita, KS 67202
 Contact Person: Tim Hellman
 Phone: 316-262-1077

CONTRACTOR: License# 5929
 Name: Duke Drlg Co. Inc.

Well Drilled For: Oil Enh Rec Gas CWVO Seismic; # of Holes Other
 Well Class: Infield Pool Ext. Wildcat Other
 Type Equipment: Mud Rotary Air Rotary 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 Approx.
 SW NE SW Sec. 20 Twp. 34 S. R. 11 East West
855' feet from N / S Line of Section
840' feet from E / W Line of Section

Is SECTION Regular Irregular?
 (Note: Locate well on the Section Plat on reverse side)
 County: Barber
 Lease Name: Hill Well #: 1
 Field Name: Stranathan
 Is this a Prorated / Spaced Field? Yes No
 Target Formation(s): Mississippi

Nearest Lease or unit boundary: 855'
 Ground Surface Elevation: 1382 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: 80'
 Depth to bottom of usable water: 180'
 Surface Pipe by Alternate: 1 2
 Length of Surface Pipe Planned to be set: 250
 Length of Conductor Pipe required: None
 Projected Total Depth: 4875'
 Formation at Total Depth: Mississippi
 Water Source for Drilling Operations:
 Well Farm Pond Other XXXX

DWR Permit #: _____
 (Note: Apply for Permit with DWR)
 Will Cores be taken? Yes No
 If Yes, proposed zone: _____

RECEIVED
 KANSAS CORPORATION COMMISSION
 OCT 06 2005

CONSERVATION DIVISION
 WICHITA, KS
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: 10/6/2005 Signature of Operator or Agent: [Signature] Title: Managing Member

For KCC Use ONLY
 API # 15 - 007-22939-00-00
 Conductor pipe required NONE feet
 Minimum surface pipe required 200 feet per Alt. 1
 Approved by: RJP 10-7-05
 This authorization expires: 4-7-06
 (This authorization void if drilling not started within 6 months of approval 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: _____

20
34
11W

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: Lotus Operating Company, LLC
 Lease: Hill
 Well Number: 1
 Field: Stranathan

Location of Well: County: Barber
 855' _____ feet from N / S Line of Section
 840' _____ feet from E / W Line of Section
 Sec. 20 Twp. 34 S. R. 11 East West

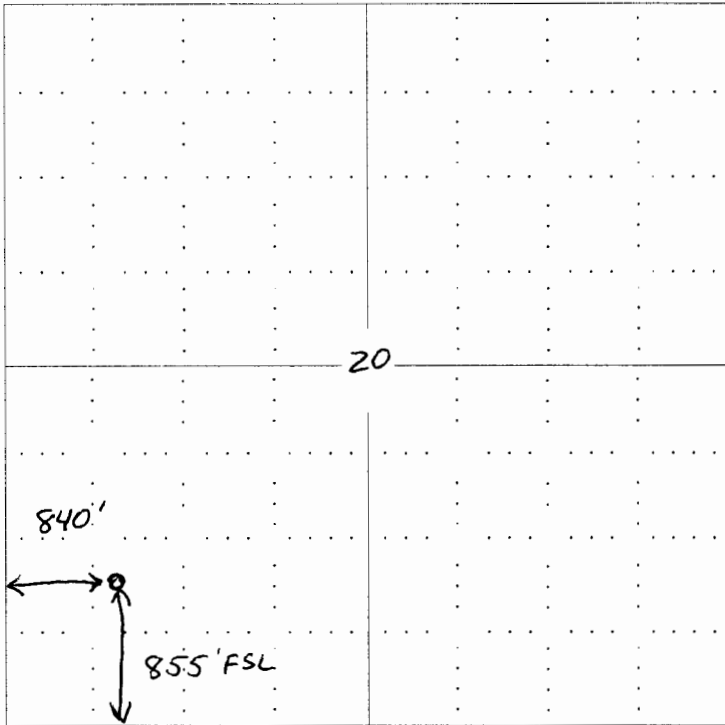
Number of Acres attributable to well: 20
 QTR / QTR / QTR of acreage: N/2 - SW - SW

Is Section: Regular or Irregular

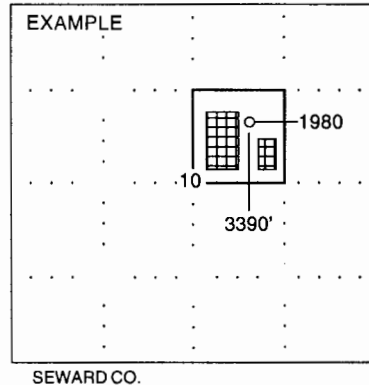
If Section is Irregular, locate well from nearest corner boundary.
 Section corner used: NE NW SE SW

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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OCT 06 2005
CONSERVATION DIVISION
WICHITA, KS



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

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MICHAEL C. MOFFET, COMMISSIONER

October 6, 2005

Mr. Tim Hellman
Lotus Operating Company, LLC
100 S. Main, Ste 420
Wichita, KS 67202

RE: Drilling Pit Application
Hill Lease Well No. 1
SW/4 Sec. 20-34S-11W
Barber County, Kansas

Dear Mr. Hellman:

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 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 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 (620) 225-8888 when the fluids have been removed. Please file form CDP-5, Exploration and Production Waste Transfer, within 30 days of fluid removal. Conservation division forms are available through our office and on the KCC web site: www.kcc.state.ks.us/conservation/forms.

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,



Kathy Haynes

Environmental Protection and Remediation Department

cc: S Durrant