

RECEIVED OWWO

For KCC Use: 5-10-06  
Effective Date: 5-10-06  
District #: 2  
SGA?  Yes  No

KANSAS CORPORATION COMMISSION  
OIL & GAS CONSERVATION DIVISION

APR 21 2006

Form C-1  
December 2002

NOTICE OF INTENT TO DRILL

KCC WICHITA

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: May 1, 2006  
month day year

Spot: NW - NW - NW Sec. 3 Twp. 29 S. R. 6  
 East  West

OPERATOR: License# 5399  
Name: American Energies Corporation  
Address: 155 North Market, Suite 710  
City/State/Zip: Wichita, KS 67202  
Contact Person: Karen Houseberg  
Phone: 316-263-5785

330' fnl feet from  N /  S Line of Section  
330' fwl feet from  E /  W Line of Section

Is SECTION  Regular  Irregular?

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

County: Kingman  
Lease Name: Kostner OWWO Well #: 1-3  
Field Name: Ward Prospect

CONTRACTOR: License# 5123  
Name: Pickrell Drilling Company, Inc

Is this a Prorated / Spaced Field?  Yes  No

Target Formation(s): Mississippian

Nearest Lease or unit boundary: 330'

Ground Surface Elevation: 1564' 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:  1  2

\* Length of Surface Pipe Planned to be set: ~~158~~ existing 163'

Length of Conductor Pipe required: None

Projected Total Depth: 4635'

Formation at Total Depth: Arbuckle

Water Source for Drilling Operations:

Well  Farm Pond Other: 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 checked="" type="checkbox"/> Mud Rotary
<input checked="" type="checkbox"/> Gas	<input type="checkbox"/> Storage	<input type="checkbox"/> Air Rotary
<input checked="" type="checkbox"/> OWWO	<input type="checkbox"/> Disposal	<input type="checkbox"/> Cable
<input type="checkbox"/> Seismic; # of Holes	<input type="checkbox"/> Wildcat	
<input type="checkbox"/> Other	<input type="checkbox"/> Other	

If OWWO: old well information as follows:  
Operator: Ransdell, Hansa & Aylward  
Well Name: Kostner #1 API: 15-095-00288  
Original Completion Date: 7/16/48 Original Total Depth: 4635'

Directional, Deviated or Horizontal wellbore?  Yes  No

If Yes, true vertical depth:

Bottom Hole Location:

KCC DKT #:

\* Table E exception granted

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: 3/20/06 Signature of Operator or Agent: Karen Houseberg Title: Tech. Asst.

**For KCC Use ONLY**

API # 15 - 095-00288-00-01

Conductor pipe required None feet

Minimum surface pipe required 163 feet per Alt. 1

Approved by: Ruth 5-5-06

This authorization expires: 11-5-00  
(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

3  
29  
GW

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IN ALL CASES PLOT THE INTENDED WELL ON THE PLAT BELOW

Plat of acreage attributable to a well in a prorated or spaced field

KCC WICHITA

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 - 095-00288-00-01
Operator: American Energies Corporation
Lease: Kostner OWWO
Well Number: 1-3
Field: Ward Prospect
Number of Acres attributable to well:
QTR / QTR / QTR of acreage: NW - NW - NW

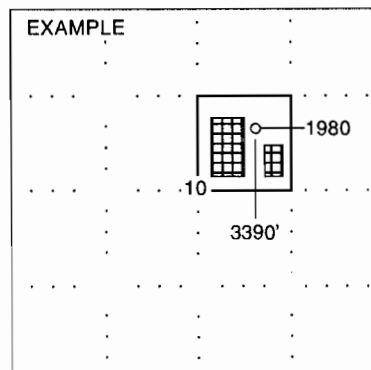
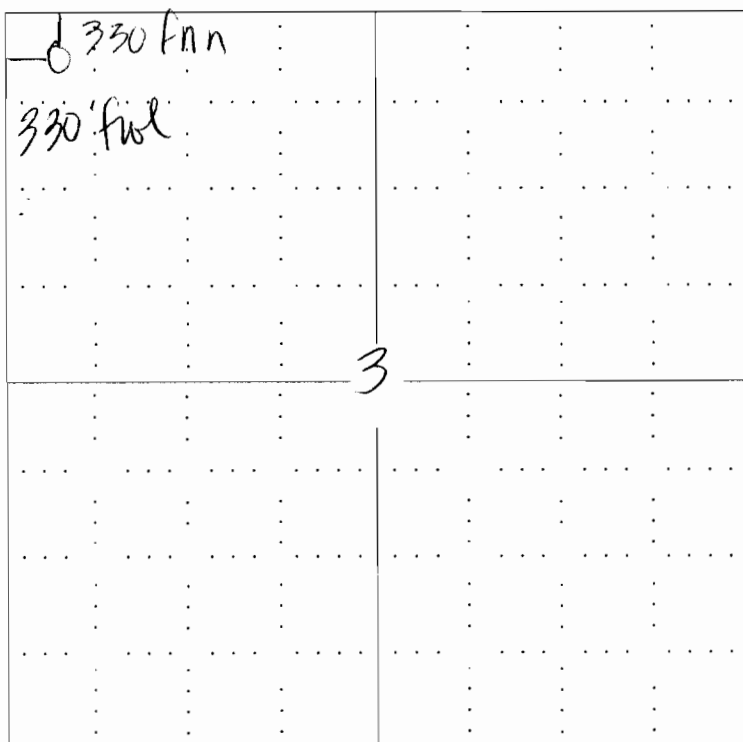
Location of Well: County: Kingman
330' fnl feet from N / S Line of Section
330' fwl feet from E / W Line of Section
Sec. 3 Twp. 29 S. R. 6 East West

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.)



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).

KANSAS CORPORATION COMMISSION  
OIL & GAS CONSERVATION DIVISION

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APR 21 2006

Form CDP-1  
April 2004  
Form must be Typed

APPLICATION FOR SURFACE PIT

KCC WICHITA

Submit In Duplicate

Operator Name: <b>American Energies Corporation</b>		License Number: <b>5399</b>
Operator Address: <b>155 North Market, Suite 710, Wichita, KS 67202</b>		
Contact Person: <b>Karen Houseberg</b>		Phone Number: ( <b>316</b> ) <b>263 - 5785</b>
Lease Name & Well No.: <b>Kostner OWWO #1-3</b>		Pit Location (QQQQ): <b>    NW    NW    NW</b> Sec. <b>3</b> Twp. <b>29</b> R. <b>6</b> <input type="checkbox"/> East <input checked="" type="checkbox"/> West <b>330</b> Feet from <input checked="" type="checkbox"/> North / <input type="checkbox"/> South Line of Section <b>330</b> Feet from <input type="checkbox"/> East / <input checked="" type="checkbox"/> West Line of Section <b>Kingman</b> County
Type of Pit: <input type="checkbox"/> Emergency Pit <input type="checkbox"/> Burn Pit <input type="checkbox"/> Settling Pit <input checked="" type="checkbox"/> Drilling Pit <input type="checkbox"/> Workover Pit <input type="checkbox"/> Haul-Off Pit <small>(If WP Supply API No. or Year Drilled)</small>	Pit is: <input checked="" type="checkbox"/> Proposed <input type="checkbox"/> Existing If Existing, date constructed: _____ Pit capacity: <b>800</b> (bbls)	
Is the pit located in a Sensitive Ground Water Area? <input checked="" type="checkbox"/> Yes <input checked="" type="checkbox"/> No		Chloride concentration: _____ mg/l <small>(For Emergency Pits and Settling Pits only)</small>
Is the bottom below ground level? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Artificial Liner? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	How is the pit lined if a plastic liner is not used? <b>Clay and Bentonite on bottom of pit</b>
Pit dimensions (all but working pits): <b>50</b> Length (feet) <b>75</b> Width (feet) <b>N/A: Steel Pits</b> Depth from ground level to deepest point: <b>3</b> (feet)		
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 <b>933</b> feet    Depth of water well <b>125</b> feet	Depth to shallowest fresh water <b>85</b> feet. Source of information: <b>JR-KGS</b> <i>Supply</i> _____ measured    _____ well owner    _____ electric log    _____ KDWR	
<b>Emergency, Settling and Burn Pits ONLY:</b> 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	<b>Drilling, Workover and Haul-Off Pits ONLY:</b> Type of material utilized in drilling/workover: <b>Chemical mud</b> Number of working pits to be utilized: <b>3</b> Abandonment procedure: <b>Pump to reserve pit, allow to dry and backfill</b> Drill pits must be closed within 365 days of spud date.	
I hereby certify that the above statements are true and correct to the best of my knowledge and belief.  <b>3/20/06</b> <i>Karen Houseberg</i> Date    Signature of Applicant or Agent		
<b>KCC OFFICE USE ONLY</b>		
Date Received: <b>4/21/06</b> Permit Number: _____ Permit Date: <b>5/1/06</b> Lease Inspection: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <span style="float: right;"><i>Line w/ Bart. REAS &amp; TAMS</i></span>		

15-095-00088-00-01

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

# KANSAS

CORPORATION COMMISSION

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

May 1, 2006

Ms. Karen Houseberg  
American Energies Corporation  
155 North Market Ste 710  
Wichita, KS 67202

Re: Drilling Pit Application  
Kostner OWWO Lease Well No. 1-3  
NW/4 Sec. 03-29S-06W  
Kingman County, Kansas

Dear Ms. Houseberg:

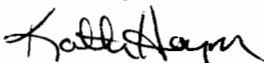
District staff has inspected the above referenced location and has determined that the reserve pit shall be constructed **without slots**, the bottom shall be flat and reasonably level, and **all pits must be lined with bentonite**. The free fluids must be removed. The fluids are to be removed from the 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.

**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 (316) 630-4000 when the fluids have been removed. Please file form CDP-5 (August 2004), 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](http://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: Doug Louis

# KANSAS

CORPORATION COMMISSION

KATHLEEN SEBELIUS, GOVERNOR

BRIAN J. MOLINE, CHAIR

ROBERT E. KREHBIEL, COMMISSIONER

MICHAEL C. MOFFET, COMMISSIONER

May 4, 2006

American Energies Corporation  
155 North Market, Suite 710  
Wichita, KS 67202

RE: Kostner OWWO #1-3, NW NW NW Sec. 3-T29S-R6W Kingman County, Kansas

Dear Sirs:

The Kansas Corporation Commission (KCC) has received your request, dated May 1, 2006, for an exception to Table 1 surface pipe requirements for the above-referenced well, which was drilled and plugged as the Kostner #1 in 1948. From your request, the KCC understands that American Energies Corporation desires to re-enter this well, which has 163' of surface pipe set. The Table 1 minimum surface pipe requirement setting depth for wells drilled in Kingman County is 200'. The surface pipe set in this previously plugged well does not meet the present surface pipe setting depth requirements.

After review of this matter by technical staff it was determined that:

1. Bedrock at this location is the Permian Stone Corral/Ninnescah Shale.
2. Depth to bedrock is approximately 120 feet.
3. The depth of the deepest water well within one mile is 125 feet.
4. The existing surface casing is set approximately 43 feet into bedrock through all unconsolidated material and adequately protects fresh and usable groundwater.

Based on this information, an exception is granted for the Table 1 Minimum Surface Casing Requirements with the following stipulation:

1. In the event the well is dry and no production pipe has been cemented in-place, plugging will be performed according to KCC rules per KCC District #2 requirements.

Very Sincerely Yours,



M. L. Korphage  
Director

cc: David P. Williams *OKD PW*  
Doug Louis - Dist #2 *OKC per fax*

Spud 6/19/48

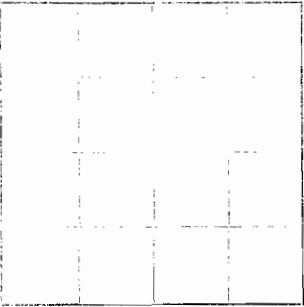
WELL PLUGGING RECORD

STATE OF KANSAS CORPORATION COMMISSION Information Completely Required Available...

FORMATION PLUGGING RECORD

Kingman County, Sec. 3, Twp. 29, R2r. 6

Location as "NE1/4NW1/4SW1/4" or footage from lines. Lease Owner: J. A. Aylward et al. Lease Name: Kostner. Well No. 1. Office Address: 813 First Natl. Bank Bldg., Wichita, Kans. Character of Well: Dry. Date well completed: 1948. Application for plugging filed: July 12, 1948. Application for plugging approved: July 12, 1948. Plugging commenced: July 12, 1948. Plugging completed: 8:AM July 12, 1948. Reason for abandonment: Dry. If a producing well is abandoned, date of last production: 1948. Was permission obtained from the Conservation Division or its agents before plugging was commenced?: Yes.



Locate well correctly on above Section Plat

Name of Conservation Agent who supervised plugging of this well: Ruel Durkee. Producing formation: none. Depth to top: Bottom. Total Depth of Well: 4636 Feet. Show depth and thickness of all water, oil and gas formations.

OIL, GAS OR WATER RECORDS

CASING RECORD

Table with 7 columns: Formation, Content, From, To, Size, Put In, Pulled Out. Rows include: Coils and sand (0-125, 8 5/8, 163', none), Red blue shale (125-275), Shale and shells (275-2000), Broken line (2000-3500), Lime and shale (3500-4000), Lime and shale breaks (4000-4300), Lime and chert (4300-4600), Shale and lime (4600-4636).

Describe in detail the manner in which the well was plugged, indicating where the mud fluid was placed and the method or methods used in introducing it into the hole. If cement or other plugs were used, state the character of same and depth placed, from... feet to... feet for each plug set.

Built bridge in bottom of surface pipe, with tree branches, rocks, paper sacks to 143'. No fluid in hole at this depth. Mixed 15 sacks cement in barrel on floor of rig, poured cement on bridge through surface pipe. Built bridge at 35 feet from surface that would hold Kelly, mixed 5 sacks cement on floor in barrel, poured cement on bridge at 35', also added some rock to cement while pouring same.

(If additional description is necessary, use BACK of this sheet)

Correspondence regarding this well should be addressed to: J. A. Aylward, 813 First Natl. Bank Bldg., Wichita, Kansas

STATE OF Kansas COUNTY OF Sedgwick, ss.

N. W. Aylward (employee of owner) or (owner or operator) of the above-described well, being first duly sworn on oath, says: That I have knowledge of the facts, statements, and matters herein contained and the log of the above-described well as filed and that the same are true and correct. So help me God.

(Signature) [Handwritten Signature]

(Address)

Subscribed and Sworn to before me this 19 day of July, 1948

Notary Public. [Handwritten Name]

Notary Public stamp and handwritten notes at the bottom of the page.