

For KCC Use:
 Effective Date: 5-14-06
 District # 3
 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 May 4, 2006
 month day year

OPERATOR: License# 33342
 Name: Blue Jay Operating LLC
 Address: 4916 Camp Bowie Blvd., Suite 204
 City/State/Zip: Fort Worth, TX 76107
 Contact Person: Jimmy McGuire
 Phone: 405-279-4313

CONTRACTOR: License# 33072
 Name: Well Refined Drilling Co., Inc.

Well Drilled For:		Well Class:		Type Equipment:	
<input type="checkbox"/> Oil	<input type="checkbox"/> Enh Rec	<input checked="" type="checkbox"/> Infield	<input type="checkbox"/> Mud Rotary	<input type="checkbox"/> Mud Rotary	<input type="checkbox"/> Cable
<input checked="" type="checkbox"/> Gas	<input type="checkbox"/> Storage	<input type="checkbox"/> Pool Ext.	<input checked="" type="checkbox"/> Air Rotary	<input checked="" type="checkbox"/> Air Rotary	
<input type="checkbox"/> QWO	<input type="checkbox"/> Disposal	<input type="checkbox"/> Wildcat	<input type="checkbox"/> Cable		
<input type="checkbox"/> Seismic; # of Holes	<input type="checkbox"/> Other				
<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 #: _____

Spot East
 NE4 NW SW, Sec. 31 Twp. 28S S. R. 14E West
2000 feet from N / S Line of Section
890 feet from E / W Line of Section

Is SECTION Regular Irregular?

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

County: Wilson
 Lease Name: Arnold Well #: A-3
 Field Name: Cherokee Basin Coal Gas

Is this a Prorated / Spaced Field? Yes No

Target Formation(s): Mississippian

Nearest Lease or unit boundary: 890'

Ground Surface Elevation: 924.6 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: 100+

Depth to bottom of usable water: 200+

Surface Pipe by Alternate: 1 2

Length of Surface Pipe Planned to be set: 40' Minimum

Length of Conductor Pipe required: None

Projected Total Depth: 1350'

Formation at Total Depth: Mississippian

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: 5/4/06 Signature of Operator or Agent: Charlotta Kephart Title: Agent

For KCC Use ONLY
 API # 15 - 205-26604-0000
 Conductor pipe required None feet
 Minimum surface pipe required 40 feet per Alt. **XO 2**
 Approved by: Rit 5-9-06
 This authorization expires: 11-9-06
 (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: _____

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

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31
 28
 14E

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 - 205-26604-0000
 Operator: Blue Jay Operating LLC
 Lease: Arnold
 Well Number: A-3
 Field: Cherokee Basin Coal Gas
 Number of Acres attributable to well: 80
 QTR / QTR / QTR of acreage: NE4 - NW - SW

Location of Well: County: Wilson
2000 feet from N / S Line of Section
890 feet from E / W Line of Section
 Sec. 31 Twp. 28S S. R. 14E East West

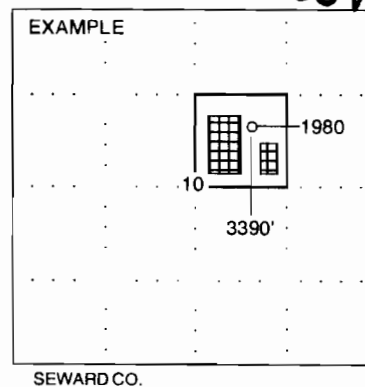
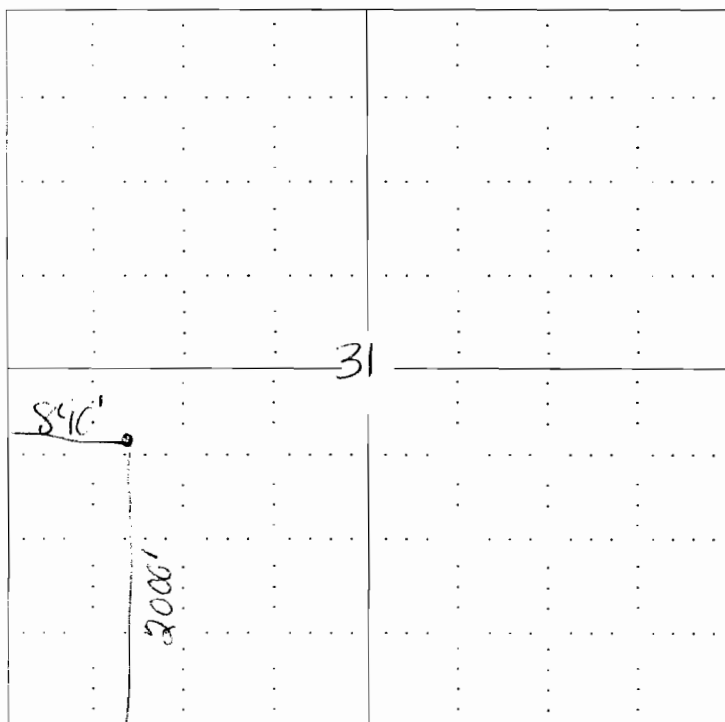
Is Section: Regular or Irregular

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 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
APPLICATION FOR SURFACE PIT**

Form CDP-1
April 2004
Form must be Typed

Submit in Duplicate

Operator Name: Blue Jay Operating LLC		License Number: 33342
Operator Address: 4916 Camp Bowie Blvd. Ft. Worth, TX 76107		
Contact Person: Jimmy McGuire		Phone Number: (405) 279 - 4313
Lease Name & Well No.: Arnold A-3		Pit Location (QQQQ): SW, NE4, NW4, SW4
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 W/P Supply API No. or Year Drilled)</small>	Pit is: <input checked="" type="checkbox"/> Proposed <input type="checkbox"/> Existing If Existing, date constructed: _____ Pit capacity: 400 (bbls)	Sec. 31 Twp. 28S R. 14E <input checked="" type="checkbox"/> East <input type="checkbox"/> West 2000 Feet from <input type="checkbox"/> North / <input checked="" type="checkbox"/> South Line of Section 890 Feet from <input type="checkbox"/> East / <input checked="" type="checkbox"/> West Line of Section Wilson County
Is the pit located in a Sensitive Ground Water Area? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		Chloride concentration: <u>None</u> 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? Dirt
Pit dimensions (all but working pits): <u>15</u> Length (feet) <u>15</u> Width (feet) <u> </u> N/A: Steel Pits Depth from ground level to deepest point: <u>10</u> (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 <u>N/A</u> City Water <u> </u> feet Depth of water well <u> </u> feet		Depth to shallowest fresh water <u>100+</u> feet. Source of information: <u> </u> measured <u> </u> well owner <input checked="" type="checkbox"/> electric log <u> </u> 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? <input type="checkbox"/> Yes <input type="checkbox"/> No		Drilling, Workover and Haul-Off Pits ONLY: Type of material utilized in drilling/workover: <u>Fresh Water</u> Number of working pits to be utilized: <u>One</u> Abandonment procedure: <u>Remove Fluids, Allow to Dry, Level Surface</u> 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.		
<u>5/4/06</u> Date	 Signature of Applicant or Agent	
KCC OFFICE USE ONLY		
Date Received: <u>5/8/06</u> Permit Number: _____ Permit Date: <u>5/8/06</u> Lease Inspection: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		

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15-2005-26604-0050

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