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MAY 16 2006

KCC WICHITA Form must be Typed Form must be Signed All blanks must be Filled

For KCC Use: Effective Date: 6-14-06 District # 2 SGA? [X] 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

Form C-1 December 2002

Expected Spud Date June 01 2006 month day year

OPERATOR: License# 3372 Name: Dixon-Dearmore Oil Company, Inc. Address: 8100 E. 22nd Street N., Bldg. 1600 Suite C City/State/Zip: Wichita, Kansas 67226 Contact Person: Micheal W. Dixon Phone: (316)264-9632

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

Spot App. NE NW NE Sec. 31 Twp. 29 S. R. 6 4950' 1800 feet from N / S Line of Section E / W Line of Section Is SECTION Regular Irregular?

(Note: Locate well on the Section Plat on reverse side) County: Kingman Lease Name: Scheer Well #: 1 Field Name: Spivey-Grabs-Basil

Is this a Prorated / Spaced Field? Yes No Target Formation(s): Mississippian Nearest Lease or unit boundary: 330'

Ground Surface Elevation: 1478 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: 180' Surface Pipe by Alternate: 1 2 Length of Surface Pipe Planned to be set: 225'

Length of Conductor Pipe required: None Projected Total Depth: 4200' 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:

Well Drilled For: Well Class: Type Equipment: Oil Gas OWO Seismic; # of Holes Other Enh Rec Storage Disposal Infield Pool Ext. Wildcat Other Mug 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 #:

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: 05-15-06 Signature of Operator or Agent: Title: President

For KCC Use ONLY API # 15 - 095-22043-0000 Conductor pipe required None feet Minimum surface pipe required 200 feet per Alt 1 Approved by: This authorization expires: 12-9-06 (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 29 6W

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Side Two

IN ALL CASES PLOT THE INTENDED WELL ON THE PLAT BELOW KCC WICHITA

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 - 095-22043-0000
Operator: Dixon-Dearmore Oil Company, Inc.
Lease: Scheer
Well Number: 1
Field: Spivey-Grabs-Basil

Location of Well: County: Kingman
4950' feet from N / S Line of Section
1800 feet from E / W Line of Section
Sec. 31 Twp. 29 S. R. 6 East West

Number of Acres attributable to well:
QTR / QTR / QTR of acreage: App.NE NW NE

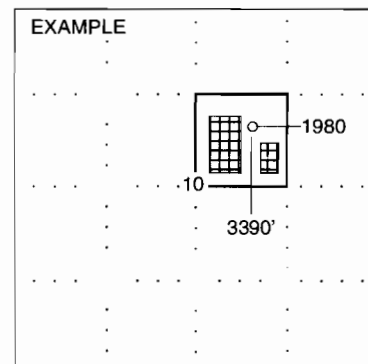
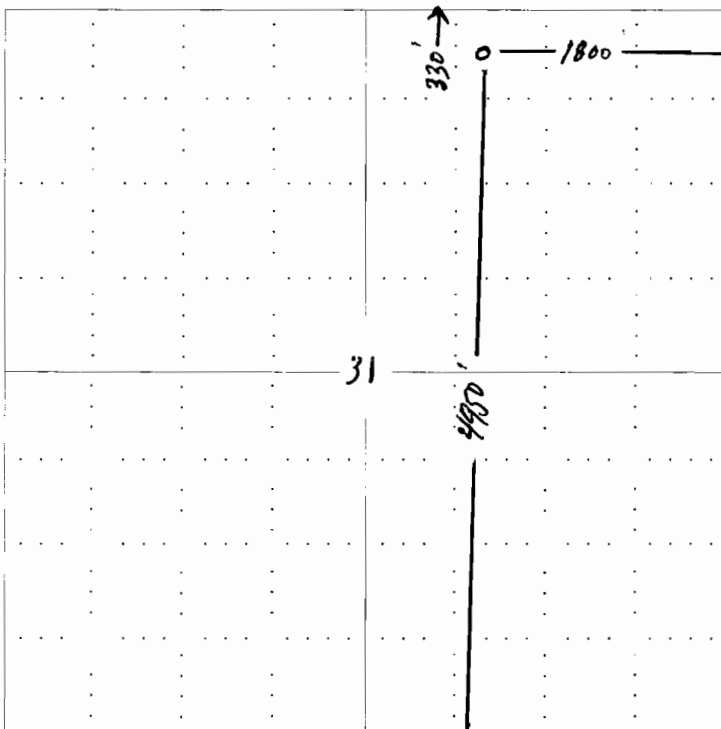
Is Section: Regular or Irregular

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: (C0-7 for oil wells; CG-8 for gas wells).

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KANSAS CORPORATION COMMISSION OIL & GAS CONSERVATION DIVISION APPLICATION FOR SURFACE PIT KCC WICHITA

Form CDP-1 April 2004 Form must be Typed

Submit in Duplicate

Operator Name: DIXON-DEARMORE OIL COMPANY, INC. License Number: 3372
Operator Address: 8100 E. 22nd Street North, Building 1600, Suite C, Wichita, Kansas 67226
Contact Person: Micheal W. Dixon Phone Number: (316) 264-9632
Lease Name & Well No.: Scheer #1 Pit Location (QQQQ): App NE NW NE
Type of Pit: [] Emergency Pit [] Burn Pit [] Settling Pit [] Workover Pit [] Drilling Pit [] Haul-Off Pit
Pit is: [x] Proposed [] Existing Pit capacity: 1700 (bbls)
Is the pit located in a Sensitive Ground Water Area? [x] Yes [] No
Is the bottom below ground level? [x] Yes [] No Artificial Liner? [] Yes [x] No
Pit dimensions (all but working pits): 100 Length (feet) 100 Width (feet) N/A: Steel Pits
Depth from ground level to deepest point: 4 (feet)
Describe procedures for periodic maintenance and determining liner integrity, including any special monitoring.
Distance to nearest water well within one-mile of pit: NA 834 feet Depth of water well: 92 feet
Depth to shallowest fresh water: 150 10 feet. Source of information: KH KLS measured well owner electric log [x] DWR
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? [] Yes [] No
Drilling, Workover and Haul-Off Pits ONLY: Type of material utilized in drilling/workover: Drilling Mud Number of working pits to be utilized: 2 Abandonment procedure: Let Dry & Backfill 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.
Date: 05-15-05 Signature of Applicant or Agent

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15-095-22043-005

KCC OFFICE USE ONLY
Date Received: 5/18/06 Permit Number: Permit Date: 6/9/06 Lease Inspection: [x] Yes [] No
RFAS + 76HRS

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

June 9, 2006

Mr. Micheal W. Dixon
Dixon-Dearmore Oil Company, Inc.
8100 E. 22nd St. N., Bldg. 1600 Ste C
Wichita, KS 67226

Re: Drilling Pit Application
Scheer Lease Well No. 1
NE/4 Sec. 31-29S-06W
Kingman County, Kansas

Dear Mr. Dixon:

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 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.

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