

For KCC Use:
 Effective Date: 6-24-06
 District # 1
 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

RECEIVED
 JUN 15 2006

Form C-1
 December 2002
 Form must be Typed
 Form must be Signed
 All blanks must be Filled

Expected Spud Date July 1, 2006
 month day year

OPERATOR: License# 5205
 Name: Mid-Continent Energy Corporation
 Address: 105 S. Broadway, Suite 360
 City/State/Zip: Wichita, KS 67202
 Contact Person: Jack Buehler
 Phone: 316-265-9501

CONTRACTOR: License# 33724
 Name: Warren Drilling, LLC

Well Drilled For:	Well Class:	Type Equipment:
<input checked="" type="checkbox"/> Oil <input checked="" type="checkbox"/> Enh Rec	<input type="checkbox"/> Infield	<input checked="" type="checkbox"/> Mud Rotary
<input checked="" type="checkbox"/> Gas <input type="checkbox"/> Storage	<input type="checkbox"/> Pool Ext.	<input type="checkbox"/> Air Rotary
<input type="checkbox"/> OWWO <input type="checkbox"/> Disposal	<input checked="" 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 _____ NE _____ NW _____ Sec. 23 Twp. 26 S. R. 18 East West
660 feet from N / S Line of Section
1980 feet from E / W Line of Section
 Is SECTION Regular Irregular?

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

County: Edwards
 Lease Name: Derley Well #: 1
 Field Name: _____

Is this a Prorated / Spaced Field? Yes No
 Target Formation(s): Lansing, KC Miss, Viola
 Nearest Lease or unit boundary: 660'

Ground Surface Elevation: 2182 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: 120'

Depth to bottom of usable water: 190' 230'

Surface Pipe by Alternate: 1 2

Length of Surface Pipe Planned to be set: 250 minimum

Length of Conductor Pipe required: 0

Projected Total Depth: 4800'

Formation at Total Depth: Arbuckle

Water Source for Drilling Operations: Well Farm Pond Other

DWR Permit #: applying for 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: 6-14-06 Signature of Operator or Agent: Jack Buehler Title: operator - owner

For KCC Use ONLY
 API # 15 - 047-21525-0000
 Conductor pipe required None feet
 Minimum surface pipe required 250 feet per Alt. 1
 Approved by: Jack Buehler
 This authorization expires: 12-19-06
 (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

23
26
18W

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IN ALL CASES PLOT THE INTENDED WELL ON THE PLAT BELOW

JUN 15 2006

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

KCC WICHITA

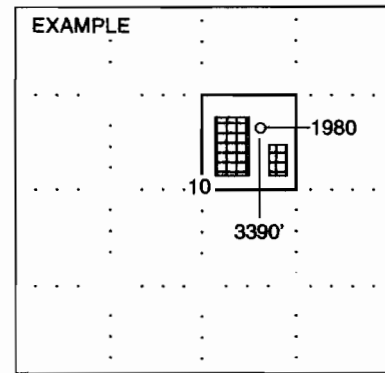
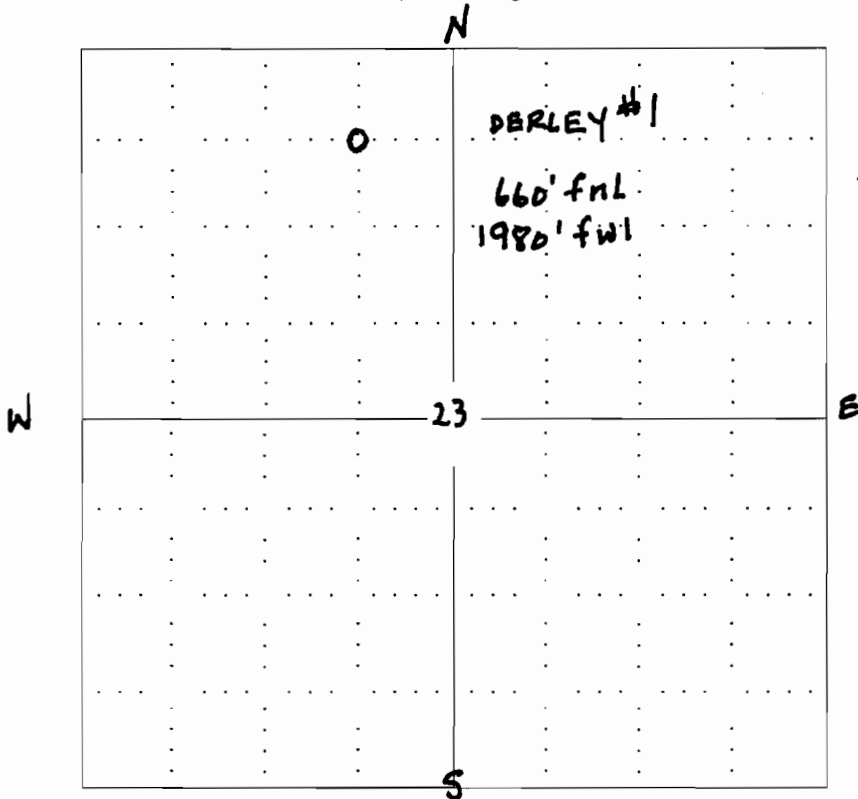
If the intended well is in a prorated or spaced field, please fully complete this side of the form. If the intended well is in a prorated or spaced field complete the plat below showing that the well will be properly located in relationship to other wells producing from the common source of supply. Please 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 - 047-21525-0000
Operator: Mid-Continent Energy Corporation
Lease: Derley
Well Number: 1
Field:
Number of Acres attributable to well:
QTR / QTR / QTR of acreage: - NE - NW

Location of Well: County: Edwards
660 feet from N / S Line of Section
1980 feet from E / W Line of Section
Sec. 23 Twp. 26 S. R. 18 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
APPLICATION FOR SURFACE PIT

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Form CDP-1
April 2004
Form must be Typed

JUN 15 2006

Submit in Duplicate

KCC WICHITA

Operator Name: Mid-Continent Energy Corporation		License Number: 5205
Operator Address: 105 S. Broadway, Suite 360 Wichita, KS 67202		
Contact Person: Jack Buehler		Phone Number: (316) 265 - 9501
Lease Name & Well No.: Derley #1		Pit Location (QQQQ): _____ NE _____ NW Sec. 23 Twp. 26 R. 18 <input type="checkbox"/> East <input checked="" type="checkbox"/> West 660 Feet from <input checked="" type="checkbox"/> North / <input type="checkbox"/> South Line of Section 1980 Feet from <input type="checkbox"/> East / <input checked="" type="checkbox"/> West Line of Section Edwards _____ 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: 4800 (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? Natural clays and bentonite
Pit dimensions (all but working pits): 80 Length (feet) 80 Width (feet) _____ N/A: Steel Pits Depth from ground level to deepest point: 3.5 (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 1683 feet Depth of water well 80 feet		Depth to shallowest fresh water 31 feet. ^① Source of information: KH KGS _____ measured <input checked="" type="checkbox"/> well owner _____ electric log _____ 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: fresh water Number of working pits to be utilized: 3 - 6' deep x 8' wide x 30' long Abandonment procedure: settlement, haul off free fluids, let dry and back fill _____ 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.		
6-14-06 Date		<i>Jack n Buehler</i> Signature of Applicant or Agent

15-047-21525-0000

KCC OFFICE USE ONLY		RFAS+C
Date Received: 6/15/06	Permit Number: _____	Permit Date: 6/15/06 Lease Inspection: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

KANSAS

CORPORATION COMMISSION

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

June 19, 2006

Mr. Jack Buehler
Mid-Continent Energy Corporation
105 S. Broadway, Ste 320
Wichita, KS 67202

Re: Drilling Pit Application
Derley Lease Well No. 1
NW/4 Sec. 23-26S-18W
Edwards County, Kansas

Dear Mr. Buehler:

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.

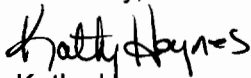
If production casing is set all completion fluids shall be removed from the working pits daily. NO completion fluids or non-exempt wastes shall be placed in the reserve pit.

The fluids should be taken to an authorized disposal well. Please call the District Office at (620) 225-8888 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
Department of Environmental Protection and Remediation

cc: File